

# **State of Alaska FY2002 Governor's Operating Budget**

Department of Community & Economic Development

# Contents

|  |           |
|--|-----------|
| <b>DEPARTMENT MISSION.....</b>   | <b>6</b>  |
| DEPARTMENT GOALS AND STRATEGIES .....  | 6         |
| KEY DEPARTMENT ISSUES FOR FY2001 – 2002.....                                     | 7         |
| MAJOR DEPARTMENT ACCOMPLISHMENTS IN 2000 .....                                   | 9         |
| KEY PERFORMANCE MEASURES FOR FY2002 .....  | 10        |
| DEPARTMENT BUDGET SUMMARY BY BRU .....   | 14        |
| FUNDING SOURCE SUMMARY .....   | 16        |
| POSITION SUMMARY .....   | 16        |
| FY2002 CAPITAL BUDGET REQUEST .....  | 17        |
| OVERVIEW OF DEPARTMENTAL BUDGET CHANGES.....                                     | 18        |
| SUMMARY OF DEPARTMENT BUDGET CHANGES BY BRU.....                                 | 21        |
| <b>EXECUTIVE ADMINISTRATION BUDGET REQUEST UNIT .....</b>                        | <b>23</b> |
| BRU FINANCIAL SUMMARY BY COMPONENT.....  | 24        |
| SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....                                  | 25        |
| <i>Component: Commissioner's Office.....</i>                                     | <i>26</i> |
| Key Performance Measures for FY2002.....   | 28        |
| Component Financial Summary .....  | 29        |
| Summary of Component Budget Changes .....  | 30        |
| Personal Services Information.....   | 31        |
| <i>Component: Administrative Services .....</i>                                  | <i>32</i> |
| Key Performance Measures for FY2002.....   | 34        |
| Component Financial Summary .....  | 36        |
| Summary of Component Budget Changes .....  | 37        |
| Personal Services Information.....   | 38        |
| <i>Component: International Trade .....</i>                                      | <i>39</i> |
| Component Financial Summary .....  | 40        |
| Summary of Component Budget Changes .....  | 41        |
| Personal Services Information.....   | 42        |
| <b>COMMUNITY ASSISTANCE &amp; ECONOMIC DEVELOPMENT BUDGET REQUEST UNIT .....</b> | <b>43</b> |
| BRU FINANCIAL SUMMARY BY COMPONENT.....  | 44        |
| SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....                                  | 45        |
| <i>Component: Community and Business Development.....</i>                        | <i>46</i> |
| Key Performance Measures for FY2002.....   | 55        |
| Component Financial Summary .....  | 58        |
| Summary of Component Budget Changes .....  | 60        |
| Personal Services Information.....   | 62        |
| <i>Component: International Trade and Market Development .....</i>               | <i>63</i> |
| Key Performance Measures for FY2002.....   | 67        |
| Component Financial Summary .....  | 69        |
| Summary of Component Budget Changes .....  | 70        |
| Personal Services Information.....   | 71        |
| <b>MUNICIPAL REVENUE SHARING BUDGET REQUEST UNIT .....</b>                       | <b>72</b> |
| BRU FINANCIAL SUMMARY BY COMPONENT.....  | 74        |
| SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....                                  | 75        |
| <i>Component: State Revenue Sharing.....</i>                                     | <i>76</i> |
| Component Financial Summary .....  | 77        |
| Summary of Component Budget Changes .....  | 78        |
| <i>Component: Municipal Assistance.....</i>                                      | <i>79</i> |
| Component Financial Summary .....  | 80        |
| Summary of Component Budget Changes .....  | 81        |
| <i>Component: National Program Receipts .....</i>                                | <i>82</i> |
| Component Financial Summary .....  | 83        |

|  |            |
|--|------------|
| Summary of Component Budget Changes .....  | 84         |
| <i>Component: Fisheries Business Tax</i> .....   | 85         |
| Component Financial Summary .....  | 86         |
| Summary of Component Budget Changes .....  | 87         |
| <b>BRU/COMPONENT: QUALIFIED TRADE ASSOCIATION CONTRACT .....</b>                         | <b>88</b>  |
| Key Performance Measures for FY2002.....   | 89         |
| Component Financial Summary .....  | 90         |
| Summary of Component Budget Changes .....  | 91         |
| <b>BRU/COMPONENT: INVESTMENTS .....</b>  | <b>92</b>  |
| Key Performance Measures for FY2002.....   | 94         |
| Component Financial Summary .....  | 97         |
| Summary of Component Budget Changes .....  | 99         |
| Personal Services Information.....   | 100        |
| <b>ALASKA AEROSPACE DEVELOPMENT CORPORATION BUDGET REQUEST UNIT .....</b>                | <b>101</b> |
| BRU FINANCIAL SUMMARY BY COMPONENT.....  | 103        |
| SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....  | 104        |
| <i>Component: AADC Language</i> .....  | 105        |
| Component Financial Summary .....  | 106        |
| Summary of Component Budget Changes .....  | 107        |
| <i>Component: Alaska Aerospace Development Corporation</i> .....                         | 108        |
| Key Performance Measures for FY2002.....   | 109        |
| Component Financial Summary .....  | 111        |
| Summary of Component Budget Changes .....  | 112        |
| Personal Services Information.....   | 113        |
| <i>Component: Alaska Aerospace Development Corporation Facilities Maintenance</i> .....  | 114        |
| Component Financial Summary .....  | 115        |
| Summary of Component Budget Changes .....  | 116        |
| Personal Services Information.....   | 117        |
| <b>ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY BUDGET REQUEST UNIT.....</b>       | <b>118</b> |
| BRU FINANCIAL SUMMARY BY COMPONENT.....  | 120        |
| SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....  | 121        |
| <i>Component: Alaska Industrial Development and Export Authority</i> .....               | 122        |
| Key Performance Measures for FY2002.....   | 123        |
| Component Financial Summary .....  | 125        |
| Summary of Component Budget Changes .....  | 126        |
| Personal Services Information.....   | 127        |
| <i>Component: Alaska Industrial Development Corporation Facilities Maintenance</i> ..... | 128        |
| Component Financial Summary .....  | 129        |
| Summary of Component Budget Changes .....  | 130        |
| <i>Component: Alaska Energy Authority Operations and Maintenance</i> .....               | 131        |
| Key Performance Measures for FY2002.....   | 132        |
| Component Financial Summary .....  | 134        |
| Summary of Component Budget Changes .....  | 135        |
| <b>RURAL ENERGY PROGRAMS BUDGET REQUEST UNIT .....</b>                                   | <b>136</b> |
| BRU FINANCIAL SUMMARY BY COMPONENT.....  | 138        |
| SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....  | 139        |
| <i>Component: Energy Operations</i> .....  | 140        |
| Key Performance Measures for FY2002.....   | 142        |
| Component Financial Summary .....  | 144        |
| Summary of Component Budget Changes .....  | 145        |
| <i>Component: Circuit Rider</i> .....  | 146        |
| Key Performance Measures for FY2002.....   | 147        |
| Component Financial Summary .....  | 148        |
| Summary of Component Budget Changes .....  | 149        |
| <i>Component: Power Cost Equalization</i> .....  | 150        |
| Key Performance Measures for FY2002.....   | 151        |

|  |            |
|--|------------|
| Component Financial Summary .....  | 152        |
| Summary of Component Budget Changes .....                                | 153        |
| <b>ALASKA SEAFOOD MARKETING INSTITUTE BUDGET REQUEST UNIT .....</b>      | <b>154</b> |
| BRU FINANCIAL SUMMARY BY COMPONENT.....                                  | 155        |
| SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....                          | 156        |
| <i>Component: Alaska Seafood Marketing Institute Language.....</i>       | <i>157</i> |
| Component Financial Summary .....  | 158        |
| Summary of Component Budget Changes .....                                | 159        |
| <i>Component: Alaska Seafood Marketing Institute .....</i>               | <i>160</i> |
| Key Performance Measures for FY2002.....                                 | 163        |
| Component Financial Summary .....  | 165        |
| Summary of Component Budget Changes .....                                | 166        |
| Personal Services Information.....                                       | 167        |
| <b>ALASKA SCIENCE AND TECHNOLOGY FOUNDATION BUDGET REQUEST UNIT.....</b> | <b>168</b> |
| BRU FINANCIAL SUMMARY BY COMPONENT.....                                  | 169        |
| SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....                          | 170        |
| <i>Component: Alaska Science and Technology Foundation Language.....</i> | <i>171</i> |
| Component Financial Summary .....  | 172        |
| Summary of Component Budget Changes .....                                | 173        |
| <i>Component: Alaska Science and Technology Foundation.....</i>          | <i>174</i> |
| Key Performance Measures for FY2002.....                                 | 177        |
| Component Financial Summary .....  | 180        |
| Summary of Component Budget Changes .....                                | 181        |
| Personal Services Information.....                                       | 182        |
| <b>BRU/COMPONENT: BANKING, SECURITIES AND CORPORATIONS .....</b>         | <b>183</b> |
| Key Performance Measures for FY2002.....                                 | 185        |
| Component Financial Summary .....  | 188        |
| Summary of Component Budget Changes .....                                | 189        |
| Personal Services Information.....                                       | 190        |
| <b>BRU/COMPONENT: INSURANCE OPERATIONS .....</b>                         | <b>191</b> |
| Key Performance Measures for FY2002.....                                 | 194        |
| Component Financial Summary .....  | 196        |
| Summary of Component Budget Changes .....                                | 197        |
| Personal Services Information.....                                       | 198        |
| <b>OCCUPATIONAL LICENSING BUDGET REQUEST UNIT .....</b>                  | <b>199</b> |
| KEY PERFORMANCE MEASURES FOR FY2002.....                                 | 202        |
| BRU FINANCIAL SUMMARY BY COMPONENT.....                                  | 204        |
| SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....                          | 205        |
| <i>Component: Occupational Licensing.....</i>                            | <i>206</i> |
| Key Performance Measures for FY2002.....                                 | 210        |
| Component Financial Summary .....  | 212        |
| Summary of Component Budget Changes .....                                | 213        |
| Personal Services Information.....                                       | 215        |
| <i>Component: Occupation Licensing Language .....</i>                    | <i>216</i> |
| Component Financial Summary .....  | 217        |
| Summary of Component Budget Changes .....                                | 218        |
| <b>REGULATORY COMMISSION OF ALASKA BUDGET REQUEST UNIT.....</b>          | <b>219</b> |
| BRU FINANCIAL SUMMARY BY COMPONENT.....                                  | 220        |
| SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....                          | 221        |
| <i>Component: Regulatory Commission of Alaska.....</i>                   | <i>222</i> |
| Key Performance Measures for FY2002.....                                 | 224        |
| Component Financial Summary .....  | 226        |
| Summary of Component Budget Changes .....                                | 228        |
| Personal Services Information.....                                       | 230        |
| <i>Component: Regulatory Commission of Alaska Language.....</i>          | <i>231</i> |

Component Financial Summary ..... 232

Summary of Component Budget Changes ..... 233

**BRU/COMPONENT: DCED STATE FACILITIES RENT..... 234**

Component Financial Summary ..... 235

Summary of Component Budget Changes ..... 236

**Commissioner: Deborah Sedwick**

**Tel:** (907) 269-8100 **Fax:** (907) 269-8127 **E-mail:** debby\_sedwick@dced.state.ak.us

**Administrative Services Director: Tom Lawson**

**Tel:** (907) 465-2506 **Fax:** (907) 465-2563 **E-mail:** tom\_lawson@dced.state.ak.us

**Department Mission**

To promote a healthy economy and strong communities.

**Department Goals and Strategies**

**STRENGTHEN RURAL COMMUNITIES**

- Increase the capacity of local government to effectively provide essential public services by providing communities training and onsite technical assistance.
- Enhance the availability and quality of basic local government services by providing financial assistance that supplements local revenue generation (State Revenue Sharing, Safe Communities, shared State Fisheries Business Tax, shared Federal National Forest Receipts, Federal Payment-in-Lieu-of-Taxes).
- Promote local economic development by providing technical and financial support for community infrastructure critical to economic development and small business startup.
- Provide assistance, through coordinated response partnerships, to communities experiencing sudden economic dislocation as a result of major economic disruptions.
- Improve the safety and cost effectiveness of energy sources for power generation and heating in rural Alaska by constructing and repairing bulk fuel storage facilities.
- Protect the State's investments in rural electric power systems through training of the local operators and administrators, and by providing technical and financial assistance to prevent disasters.

**WORK WITH RURAL COMMUNITIES AND THE PRIVATE SECTOR IN CREATING NEW JOBS FOR ALASKANS.**

- Ensure that residents of small rural communities in western Alaska get the maximum benefits from their participation in the Community Development Quota (CDQ) program, a fisheries development initiative.
- Partner with other state agencies, private businesses, ANCSA corporations, tribes, and local governments to identify and develop opportunities for rural, regional and local economic development.
- Facilitate the exchange of information between Alaska exporters and potential customers through business intelligence services and trade practice assistance.
- Identify and assist in planning and developing new tourism opportunities to expand Alaska's tourist season and increase visits to rural Alaska.
- Encourage new international and domestic air carriers to use Alaska as a passenger and freight delivery point.
- Increase independent visitors on Alaska's highways and roads.
- Work with the Governor's Jobs Cabinet in seeking solutions and strategies for improving the economic climate in rural Alaska.

**MARKETING ALASKA-SELL ALASKA'S GOODS AND SERVICES THROUGHOUT THE WORLD.**

- In partnership with a private industry association, raise national and international awareness of Alaska as a tourist destination, and increase the consumption of Alaska seafood products through generic and targeted marketing.
- Organize and conduct business trade missions to expand product sales in current markets and develop new markets.
- Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a good place to do business.
- Continue the Governor's Business Opportunities Program under which the Governor, Commissioner and other Alaskans visit corporate boardrooms to solicit investment in Alaska.
- Make information on Alaska's economy, goods and services, investment opportunities, and departmental databases available on the Internet.
- Expand the public's ability to obtain department services through the Internet.

**MAINTAIN A FAIR AND CONSISTENT BUSINESS REGULATORY ENVIRONMENT IN THE STATE.**

- Expedite the conversion of Alaska's telecommunications industry from a monopoly-based to a competitive, market-based industry structure, while guaranteeing universal access to service.
- Assist businesses and consumers by placing the database of licensed professionals, corporations, and insurance carriers on the Internet, including information about disciplinary actions.
- Create simple, self-explanatory securities, corporations, insurance, and occupational licensing applications and forms available on the Internet to improve service to the public and reduce requests for staff assistance.

## **Key Department Issues for FY2001 – 2002**

### **STATE WORKFORCE**

The Department is increasingly encountering the recruitment/retention difficulties faced by all state agencies. Recruitment for positions requiring specialized technical expertise (computer programmers, utility engineering and tariff analysis, etc.) is becoming more and more difficult due to lack of qualified in-state candidates coupled with non-competitive salaries within those fields nationwide. State employee salaries and benefits generally are no longer as competitive as is necessary to attract quality candidates for many state positions. A contributing factor is the "graying" of the workforce, a nationwide phenomenon wherein the "baby boomer" generation of workers are reaching retirement age en masse. Younger replacement workers are not only far fewer in numbers, they do not share the prior generations' notion of staying with the same employer for years. Even if quality replacement workers are found, the state currently does not have the tools or ability to provide retention incentives.

### **OPERATION RENEW HOPE**

In July the Governor declared a fisheries disaster for the Yukon River, Kuskokwim River and Norton Sound salmon fisheries. In response to this disaster, the Governor created Operation Renew Hope to pull together all the various state and federal programs that could respond to the short and long term disaster impacts under this organizational umbrella. The department's participation in this effort has resulted in substantial new responsibilities for staff, particularly within the Commissioner's Office and the Division of Community and Business Development's regional office structure. At this point, federal funding is uncertain. Federal and/or State funding is necessary for the department to maintain the current level of assistance.

### **MUNICIPAL GOVERNMENT**

Many cities in Alaska are struggling to maintain basic services. There are more than 40 smaller municipalities in Alaska that rely on state shared revenue for over 30% of their operating budget. Many communities (particularly in the Yukon/Kuskokwim Delta) are choosing to recognize their tribal organizations as their local governments, raising questions concerning the distribution of municipal property and the extent of tribal powers. Over the last 15 years, the state's two major revenue sharing programs have been cut by more than 85%. Division of Community and Business Development staff have been working with the Legislature to explore modified revenue sharing programs that could limit the impact of cuts on the most financially vulnerable cities, and working with cities to identify sources of local revenue and decide how to most effectively use these limited resources.

### **POWER COST EQUALIZATION**

The PCE endowment fund is expected to generate approximately \$7.3 million for PCE in FY02. The endowment is expected to generate approximately \$13.5 million for PCE in future years beginning in FY03 after the proceeds from Four Dam Pool divestiture are deposited. The key issue for FY02 is that the estimated \$7.3 million contribution from the endowment fund, plus carry forward from FY01 and short-term interest earnings, leaves a shortfall of \$7.8 million.

### **RURAL ENERGY**

Increased funding from the Denali Commission offers a rare opportunity to upgrade both fuel storage facilities and electric utility systems in rural Alaska on a broad scale. A key issue is to provide sufficient management resources and accelerate the pace of project development so that rural communities can realize as much benefit as possible from this opportunity.

The need to reduce energy costs in rural Alaska has become more urgent due to the sharp increase in fuel prices that has occurred during the past year. Strategies to reduce these costs through energy production efficiencies, energy production alternatives, and energy conservation need to be clearly identified, developed, and aggressively implemented.

Demand for loans from the Bulk Fuel Revolving Loan Fund has continued to grow and to outstrip the available funds. A key issue will be to develop policies to prioritize loan requests in line with this continuing shortfall or to identify supplemental financing for bulk fuel purchases.

#### INTERNATIONAL TRADE AND MARKET DEVELOPMENT

Maintaining and growing Alaska's export market share, and expanding and diversifying the economy, are key for Alaska's economy and jobs. For export markets, the key is Asia. Countries in the region account for nearly 80% of Alaska's total worldwide exports. The state must maintain our effective trade presence - via in-state trade specialists and overseas representatives in Japan, Korea, Taiwan and the Russian Far East -- to assist Alaska businesses as the post "Asian economic crisis" recovery continues. Alaska must also establish an active trade presence in China, the world's largest emerging market. To expand the economy, Alaska must attract new industry and investment to the state -- a highly competitive endeavor. Cities, counties, states and nations compete to attract business to their communities. If Alaska is to succeed in attracting its fair share, sufficient resources will need to be deployed.

#### TOURISM

The rate of growth of tourism visitation is declining both for cruise ship passengers and non-cruise visitors. However, Alaskan cruise passenger travel continues to grow at a higher rate than the national average while the rate of growth of non-cruise visitations declined 45 percent below the national average rate. Increasing the number of non-cruise travelers will require special focus by both the department, through its planning and development activities, and the private industry association acting as the state's tourism marketing contractor.

#### ALASKA SEAFOOD

The seafood industry is the largest private employer in Alaska, providing one sixth of all the employment (35,000 full-time and 70,000 seasonal jobs). The industry continues to lose markets due to increasing competition from foreign and domestic seafood producers, primarily farmed salmon. The farm competition now represents nearly 53% of all salmon production worldwide, which has negatively impacted consumption of Alaskan products in US and foreign markets. The Alaska Seafood Marketing Institute's main focus for FY01/FY02 will be to rejuvenate all of its marketing strategies based on sound market research funded by a grant from the U.S. Economic Development Administration. ASMI will incorporate a new strategic marketing plan into all programs, assisting the Alaska salmon industry in combating the impacts of imported farmed salmon in the United States markets, and will incorporate research results from ASMI's foreign markets into all overseas marketing programs.

#### ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

The \$101 million principal of ASTF's endowment is co-invested with the Permanent Fund and generates earnings annually appropriated by the legislature for both ASTF and the non-ASTF purposes. The cumulative effects of annual operating budget appropriations of ASTF earnings (University of Alaska \$2.6 M, Alaska Aerospace Development Corporation \$558 K) and ASTF's past support of the state's share of large capital projects (Kodiak Launch Complex \$10 M, UAF Low Rank Coal Water Fuel \$4.25 M) have been to reduce ASTF's annual grant budget from approximately \$8-9 M to less than \$5 M starting in FY02. With a lower amount of principal to generate earnings and fewer capital gains expected in a flatter stock market than seen in recent years, the full impact of the shortfall is only borne by the ASTF's ability to co-finance new projects. At a time when Alaska's economy is growing more slowly than the national economy and our faster growing technology sector is still relatively small compared to other states, this lessened ability of ASTF to provide seed capital and finance group projects with industry merits concern.

#### BANKING, SECURITIES & CORPORATIONS

Additional data processing resources are needed to allow the division to handle increased workloads with increased productivity rather than a commensurate increase in staff. These resources are also necessary to enable the division to provide adequate services to the public through use of the Internet and electronic filing. Considerable work is needed to update and create improved databases for all three sections in the division to improve productivity and public service.

#### INSURANCE

In November 1999 President Clinton signed into law the Gramm-Leach-Bliley Act (GLBA) that repealed restrictions in the Glass-Steagall Act and the Bank Holding Company Act of 1956 on affiliations between banks, insurance companies and securities firms. GLBA changes the landscape of regulation for the financial services industry in the United States. GLBA supports functional regulation of the various financial service sectors, and states maintain their authority to regulate insurance. However, greater cooperation and communication with federal regulators and among state insurance departments is crucial to maintain the quality of regulation that the Division of Insurance provides.



GLBA requires states to adopt reciprocity in agent and broker licensing or lose authority to license non-residents, and requires states adopt and enforce privacy standards relating to defined nonpublic personal health or financial information. Legislation to bring Alaska into compliance with GLBA will be introduced.

#### OCCUPATIONAL LICENSING FEES

AS 08.01.065(c) mandates that the department set license fees for each occupation at a level that approximately equals the cost of regulating the occupation. Enforcement costs often vary considerably from year-to-year, depending on the number of complaints. This makes fees very volatile. A 1997 legislative audit directed the division to set fees incorporating professions' surpluses and deficits from prior years. The audit also recommended strictly applying the fee law and requiring each of the division's 130 professions to pay their own costs rather than accounting at the board/program level. The result of a strict legal interpretation would be even greater variation in fees for small professions. Attention must be given to an effort to revise the fee structure to reduce these serious fluctuations in fees.

### **Major Department Accomplishments in 2000**

Successfully merged the Departments of Commerce and Economic Development and Community and Regional Affairs in accordance with HB 40, passed by the 1999 Legislature. Reorganized the former divisions of Tourism, Trade & Development, and Municipal & Regional Assistance into two new divisions: International Trade & Market Development and Community & Business Development, effective July 1, 2000.

Coordinated Operation Renew Hope, the State's multi-departmental response to the Yukon, Kuskokwim, and Norton Sound fishery disaster.

#### COMMUNITY & BUSINESS DEVELOPMENT (CBD)

- The division, in conjunction with the Department of Fish & Game, conducted the first ever multi-species Community Development Quota (CDQ) allocation. All species including groundfish, halibut and crab were allocated among the six groups for the two-year CDQ allocation period of 2001 and 2002. In recognition of the growing maturity of the CDQ groups, the department also worked with the National Marine Fisheries Service and the CDQ groups to streamline the CDQ regulatory process.
- CBD conducted a review of the state's tourism marketing programs to ensure that state dollars are used most effectively and efficiently to promote Alaska.
- Despite low gold prices, the division successfully attracted new mineral exploration to Alaska. Alaska is seen to have a favorable mineral investment climate because of incentives, stable government and geologic pedigree, when compared with other countries.
- The Rural Utility Business Advisor (RUBA) program coordinated numerous state and federal agencies and local entities to relocate 22 houses in Alakanuk from eroding riverbanks to a safe location provided with piped water and sewer. This year the houses have been placed on the prepared lots and are currently being connected to the city's utility system.

#### INTERNATIONAL TRADE AND MARKET DEVELOPMENT (ITMD)

- The division introduced fresh Alaska seafood to hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in over \$200,000 in direct sales and over \$2 million projected sales by Alaska seafood companies to new customers in Korea.
- Alaska businesses made contacts in Japan and China during an October 2000 trade mission led by the Governor. The ten-day, 33-member trade mission highlighted Alaska businesses' strengths in energy, seafood, and technical services in Tokyo, Hong Kong, Shanghai and Beijing. Results included actual new business contracts and potential business for Alaska companies.
- ITMD promoted the sale of Alaska produce (seed potatoes, table stock potatoes, cabbage, and carrots) in Taiwan and promoted a decision by People's Republic of China (PRC) to allow seedstock potatoes into their country. Alaska's produce was introduced and highlighted to Taiwan buyers and importers. Efforts also increased the likelihood of the PRC allowing Alaska seed potato imports following division-hosted missions by PRC agricultural officials and follow-up visits to those officials during the Governor's trade mission.

#### INVESTMENTS

The division applied for and was awarded a \$3 million dollar grant from the Economic Development Administration to fund a new program called the Western Alaska Program. The grant was matched with \$1 million dollars from the

Alaska Industrial Development and Export Authority, to provide a total of \$4 million dollars for new loans to projects that create jobs and diversify local economies in areas of the state affected by the 1998 fisheries disaster. During FY00, 3 loans were approved and processed for a total amount of \$575,000.

#### ALASKA AEROSPACE DEVELOPMENT CORPORATION

- Completed construction of the Kodiak Launch Complex (KLC).
- Successfully negotiated and signed a contract for US Air Force launch, Quick Reaction Launch Vehicle (QRLV) in March 2001.
- Negotiated contract for US Army launch in May 2001, West Coast Risk Reduction Flight (WC RRF), the first launch of a multi-year/multi-launch Strategic Target System (STARS) contract.
- Developed KLC Marketing Plan identifying goals and potential missions, promoting customer interface and seeking launch contract awards.
- Successfully supported customer needs to complete two launches, US Air Force QRLV and US Army STARS.

#### ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY/ALASKA ENERGY AUTHORITY

- Purchased approximately \$30 million in loan participations originated through financial institutions for businesses and projects in Alaska, and issued \$6.9 million in conduit financing for private sector and non-profit projects.
- Completed bulk fuel storage consolidations and upgrades in 11 communities totaling \$8.7 million, completed preliminary or final design work on 21 additional bulk fuel storage projects with total estimated construction costs of \$46.2 million, and completed rural power system upgrades in 6 communities totaling \$2.3 million.

#### ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

Through ASTF support of the Alaska Manufacturing Association (AKMA), seven mills now have approximately 70-90 million board feet a year of dimensional lumber graded by the Western Wood Products Association representative in state. For the first time, this manufactured amount now approximately equals state imports.

#### OCCUPATIONAL LICENSING

- Offered business licensing through the Internet in the autumn of 2000 to the State's 73,000 license holders. Licenses can now be purchased, renewed, updated and reprinted online.
- Created a licensing program for Speech-Language Pathologists, established the first regulations governing manicurist licensing, began implementation of a new law licensing practitioners of Tattooing and Permanent Cosmetic Coloring, and Body Piercing, and issued the first licenses to professional counselors and bachelor and master social workers.

## Key Performance Measures for FY2002

**Measure: Create at least 250 new jobs for Alaskans in FY 2002 by providing financial assistance to economic development projects that meet defined criteria for feasibility and financial success.**

*(Revised from Legislature's FY2001 version.)*

#### **Current Status:**

In FY 2000 AIDEA funded loan participations totaling approximately \$30 million, creating approximately 530 construction jobs and 295 new jobs.

#### **Benchmark:**

No other state in the nation has a public development corporation identical to AIDEA.

#### **Background and Strategies:**

AIDEA provides the financing mechanisms necessary to participate in long-term commercial loans, and to own projects that promote economic development.

In FY 2002, AIDEA will purchase \$30.0 million in loan participations with financial institutions; and participate in or guarantee \$5.0 million in small rural loans.

AIDEA will continue to work with the private sector to develop infrastructure projects that AIDEA can own and lease to the private sector, complimenting private sector investment.

**Measure: Complete 10 bulk fuel storage consolidation and upgrade projects in FY02.***(Revised from Legislature's FY2001 version.)***Current Status:**

11 projects were completed during FY00.

**Benchmark:**

AEA's bulk fuel storage data base and priority list includes information on tank farms in 161 rural communities.

**Background and Strategies:**

There are approximately 1100 above-ground tank farms in 161 remote villages in rural Alaska. Most of these tank farms have serious deficiencies. The U.S. Coast Guard and the Environmental Protection Agency are continuing to issue citations to owners of many substandard facilities in rural Alaska but have thus far refrained from ordering them closed as long as effective measures are underway to bring them into regulatory compliance.

A typical rural village may presently have separate tank farms owned and operated by the City government, the tribal government, the village corporation, the local school, the electric utility, and other public or private entities. Relying primarily on federal funds, the State has conducted a program over the last several years to replace these tank farms with new or refurbished facilities that meet all applicable safety and environmental codes. Most of these projects seek to consolidate several tank farms into a single facility so that the potential for adverse impacts is no longer spread among several tank farm sites around the community. Consolidation also helps to avoid the inconsistent maintenance and operations practices that can result from multiple projects operated by multiple owners.

**Measure: The number of Alaskans employed year-round in the visitor industry.***(Developed jointly with Legislature in FY2001.)***Current Status:**

Baseline data will be available in fall 2001.

**Benchmark:**

Not available.

**Background and Strategies:**

Data is being gathered through the Alaska Visitors Statistics Program administered by the Division of Community and Business Development. Tourism industry employment data is not easily discernable through the Standard Industrial Classification (SIC) system utilized by the Department of Labor and Workforce Development.

**Measure: Reduce response time up to 25 percent by the end of FY03 for the filing and retrieval of licensing and corporate documents, by providing forms and information on the Internet and using e-commerce.***(Not yet addressed by Legislature.)***Current Status:**

Data on Internet usage of department web sites has been collected for more than one year. Business License online transaction baseline data will be collected beginning in fall 2000. Currently it averages 2 to 3 weeks for a business to apply for and receive a new or renewed business license through the mail.

**Benchmark:**

Not applicable.

**Background and Strategies:**

The primary focus of this measure is the services provided by the divisions of Banking, Securities, & Corporations, Insurance, and Occupational Licensing. By providing searchable data bases and downloadable forms on the department's web pages, the amount of staff time responding to similar in-person, phone, and letter requests has been reduced already. Web usage trends are tracked 24 hours a day.

Over the next three years the department will make available the option of filing of various applications online. The first service offered online in fall 2000 is the purchase of Business Licenses or renewals. Approximately 35,000

Business License renewal notices were mailed November 1, 2000. At the end of the renewal period, data will be available regarding the number of renewals conducted online as well as the number of new business licenses purchased online. These transactions are instantaneous. This data will then be compared with historical data on volume and length of processing time for issuing new and renewed business licenses.

**Measure: Increase volume of product sold through ASMI promotions in FY02 by 10% in the United States**

*(Revised from Legislature's FY2001 version.)*

**Current Status:**

ASMI is maximizing value of relationships with existing promotional partners, developing new retail and foodservice partnerships in areas of value-added products and increasing demand for Alaska seafood product usage via Alaska Seafood brand oriented marketing programs.

**Benchmark:**

ASMI will use its own FY01 volume of pounds sold figures as a baseline for FY02.

**Background and Strategies:**

**Background:** A \$5 million grant to ASMI to assist the Alaska salmon industry against the impact of imported farmed salmon has been incorporated into ASMI's next three fiscal years' budgets. ASMI has increased the amount of funds for domestic marketing programs through the grant. The board has approved carrying forward a substantial amount of funds to serve as the match for the federal grant and to even out the potential shortfall expected due to loss of fish revenue.

**Strategies:** A three-year Strategic Marketing Plan (starting FY 01) has been implemented to create a dynamic market-driven environment that will expand the global consumption of Alaska seafood products by fostering growth opportunities within the food industry through collaborative marketing and quality assurance efforts. All species of seafood will benefit from the enhanced salmon marketing effort funded by the federal grant.

**Measure: Dollar value of exports from the state.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

In 1999 the dollar value of exports from Alaska increased 31% from 1998 to \$2.6 billion.

**Benchmark:**

During 1999, the dollar value of all U.S exports increased 1.8% from 1998 to was \$692.8 billion. This information is recorded and reported by the U.S. Census Bureau. Figures are derived from Export Statistics, State of Origin series.

**Background and Strategies:**

Information and assistance to Alaska companies to initiate or expand export business activities; research potential niche-market opportunities for value-added products.

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|---|-----------------|-----------------|-------------------------|------------------------------|---------------------------|
| <ul style="list-style-type: none"> <li>Create at least 350 new jobs for Alaskans in FY 01 by providing financial assistance to economic development projects that meet defined criteria for feasibility and financial success.</li> <li>In FY01, complete construction of 10 code-compliant bulk fuel consolidation (CCBFC) or project upgrades (PU), complete design and begin construction of 8 CCBFC or PUs, and begin design of 17 CCBF.</li> </ul> |                 | X               | X                       |                              |                           |

---

Department of Community & Economic Development

|   | <i>Achieved</i> | <i>On track</i>                           | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|---|-----------------|---|-------------------------|------------------------------|---------------------------|
| <ul style="list-style-type: none"> <li>• Increase the number of Alaskans employed in the visitor industry to 32,000 by the year 2001 with an emphasis on employment in smaller communities and rural areas of the state.</li> <li>• Reduce response time up to 25 percent by the end of FY03 for the filing and retrieval of licensing and corporate documents, by providing forms and information on the Internet and using e-commerce.</li> <li>• Increase the consumption of Alaska seafood by increasing the volume of product sold through ASMI promotions by 10 percent in FY01.</li> </ul> |                 | <br><br><br><br><br><br><br><br><br><br>X | X                       |                              |                           |

## Department Budget Summary by BRU

All dollars in thousands

|                                 | FY2000 Actuals |               |             |             | FY2001 Authorized |               |             |             | FY2002 Governor |               |             |             |
|---------------------------------|----------------|---------------|-------------|-------------|-------------------|---------------|-------------|-------------|-----------------|---------------|-------------|-------------|
|                                 | General Funds  | Federal Funds | Other Funds | Total Funds | General Funds     | Federal Funds | Other Funds | Total Funds | General Funds   | Federal Funds | Other Funds | Total Funds |
| <b>Formula Expenditures</b>     |                |               |             |             |                   |               |             |             |                 |               |             |             |
| Municipal Revenue Sharing       | 28,491.0       | 0.0           | 3,400.0     | 31,891.0    | 28,493.4          | 14,000.0      | 1,000.0     | 43,493.4    | 28,493.4        | 16,000.0      | 1,000.0     | 45,493.4    |
| Rural Energy Program            | 0.0            | 0.0           | 14,562.2    | 14,562.2    | 0.0               | 0.0           | 0.0         | 0.0         | 0.0             | 0.0           | 0.0         | 0.0         |
| Fish Enhancement Tax Receipts   | 3,860.9        | 0.0           | 0.0         | 3,860.9     | 0.0               | 0.0           | 0.0         | 0.0         | 0.0             | 0.0           | 0.0         | 0.0         |
| Rural Energy Programs           | 0.0            | 0.0           | 0.0         | 0.0         | 0.0               | 0.0           | 15,700.0    | 15,700.0    | 0.0             | 0.0           | 15,700.0    | 15,700.0    |
| National Forest Receipts        | 0.0            | 1,834.2       | 0.0         | 1,834.2     | 0.0               | 0.0           | 0.0         | 0.0         | 0.0             | 0.0           | 0.0         | 0.0         |
| <b>Non-Formula Expenditures</b> |                |               |             |             |                   |               |             |             |                 |               |             |             |
| Executive Admin                 | 3,521.0        | 45.5          | 1,798.6     | 5,365.1     | 2,624.4           | 0.0           | 1,608.0     | 4,232.4     | 1,532.1         | 0.0           | 1,457.2     | 2,989.3     |
| Comm Assist & Ec Dev            | 0.0            | 0.0           | 0.0         | 0.0         | 4,235.0           | 1,161.0       | 3,763.2     | 9,159.2     | 5,997.8         | 1,372.7       | 3,562.4     | 10,932.9    |
| Qualified Trade Assoc. Contract | 0.0            | 0.0           | 0.0         | 0.0         | 4,800.0           | 0.0           | 50.0        | 4,850.0     | 4,805.3         | 0.0           | 50.1        | 4,855.4     |
| Investments                     | 0.0            | 0.0           | 3,317.0     | 3,317.0     | 0.0               | 0.0           | 3,361.6     | 3,361.6     | 0.0             | 0.0           | 3,356.4     | 3,356.4     |
| Alaska Aerospace Devel Corp     | 0.0            | 0.0           | 758.4       | 758.4       | 0.0               | 0.0           | 1,840.4     | 1,840.4     | 0.0             | 0.0           | 4,949.2     | 4,949.2     |
| AIDEA                           | 0.0            | 0.0           | 4,192.3     | 4,192.3     | 0.0               | 0.0           | 6,990.1     | 6,990.1     | 0.0             | 0.0           | 7,064.3     | 7,064.3     |
| Rural Energy Program            | 287.9          | 71.4          | 1,980.9     | 2,340.2     | 0.0               | 0.0           | 0.0         | 0.0         | 0.0             | 0.0           | 0.0         | 0.0         |
| Rural Energy Programs           | 0.0            | 0.0           | 0.0         | 0.0         | 387.9             | 265.6         | 1,797.8     | 2,451.3     | 489.7           | 166.0         | 1,808.9     | 2,464.6     |
| Alaska Seafood Marketing Inst   | 6,982.7        | 2,138.2       | 71.7        | 9,192.6     | 30.5              | 3,500.0       | 7,717.8     | 11,248.3    | 0.0             | 3,500.0       | 7,030.3     | 10,530.3    |
| AK Science & Tech Foundation    | 0.0            | 0.0           | 8,477.0     | 8,477.0     | 0.0               | 0.0           | 11,001.5    | 11,001.5    | 0.0             | 0.0           | 9,992.1     | 9,992.1     |
| Banking, Securities, and Corp   | 1,717.1        | 0.0           | 1.1         | 1,718.2     | 39.8              | 0.0           | 1,773.3     | 1,813.1     | 0.0             | 0.0           | 1,903.4     | 1,903.4     |
| Circuit Rider                   | 100.0          | 0.0           | 0.0         | 100.0       | 0.0               | 0.0           | 0.0         | 0.0         | 0.0             | 0.0           | 0.0         | 0.0         |

|                           | FY2000 Actuals  |                |                 |                  | FY2001 Authorized |                 |                 |                  | FY2002 Governor |                 |                 |                  |
|---------------------------|-----------------|----------------|-----------------|------------------|-------------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|------------------|
|                           | General Funds   | Federal Funds  | Other Funds     | Total Funds      | General Funds     | Federal Funds   | Other Funds     | Total Funds      | General Funds   | Federal Funds   | Other Funds     | Total Funds      |
| Program                   |                 |                |                 |                  |                   |                 |                 |                  |                 |                 |                 |                  |
| Insurance                 | 3,923.2         | 0.0            | 0.0             | 3,923.2          | 77.4              | 0.0             | 4,365.1         | 4,442.5          | 0.0             | 0.0             | 4,610.5         | 4,610.5          |
| Occupational Licensing    | 5,357.8         | 0.0            | 171.2           | 5,529.0          | 603.3             | 0.0             | 6,078.2         | 6,681.5          | 545.0           | 0.0             | 6,318.1         | 6,863.1          |
| Reg Comm of Ak            | 0.0             | 0.0            | 4,307.1         | 4,307.1          | 0.0               | 0.0             | 5,314.8         | 5,314.8          | 0.0             | 0.0             | 5,944.2         | 5,944.2          |
| DCED State                | 0.0             | 0.0            | 0.0             | 0.0              | 496.3             | 0.0             | 0.0             | 496.3            | 359.9           | 0.0             | 178.0           | 537.9            |
| Facilities Rent           |                 |                |                 |                  |                   |                 |                 |                  |                 |                 |                 |                  |
| Local                     | 2,363.5         | 4,087.4        | 3,821.9         | 10,272.8         | 0.0               | 0.0             | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0              |
| Government Assistance     |                 |                |                 |                  |                   |                 |                 |                  |                 |                 |                 |                  |
| Comm. & Econ. Development | 720.9           | 0.0            | 902.7           | 1,623.6          | 0.0               | 0.0             | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0              |
| Tourism Development       | 1,912.1         | 0.0            | 123.6           | 2,035.7          | 0.0               | 0.0             | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0              |
| AK Tourism Mktg Council   | 3,242.7         | 0.0            | 1,299.9         | 4,542.6          | 0.0               | 0.0             | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0              |
| <b>Totals</b>             | <b>62,480.8</b> | <b>8,176.7</b> | <b>49,185.6</b> | <b>119,843.1</b> | <b>41,788.0</b>   | <b>18,926.6</b> | <b>72,361.8</b> | <b>133,076.4</b> | <b>42,223.2</b> | <b>21,038.7</b> | <b>74,925.1</b> | <b>138,187.0</b> |

## Funding Source Summary

*All dollars in thousands*

| <b>Funding Sources</b>   | <b>FY2000 Actuals</b> | <b>FY2001<br/>Authorized</b> | <b>FY2002<br/>Governor</b> |
|--|-----------------------|------------------------------|----------------------------|
| 1002 Federal Receipts  | 8,176.7               | 18,926.6                     | 21,038.7                   |
| 1003 General Fund Match  | 604.9                 | 608.2                        | 708.0                      |
| 1004 General Fund Receipts                                     | 43,596.7              | 40,345.2                     | 40,882.2                   |
| 1005 General Fund/Program Receipts                             | 18,279.2              | 547.4                        | 633.0                      |
| 1007 Inter-Agency Receipts                                     | 6,800.5               | 8,032.0                      | 7,463.8                    |
| 1025 Science & Technology Endowment Income                     | 9,032.2               | 11,558.5                     | 10,558.3                   |
| 1035 Veterans Revolving Loan Fund                              | 147.8                 | 150.7                        | 107.4                      |
| 1036 Commercial Fishing Loan Fund                              | 2,597.2               | 2,661.4                      | 2,698.8                    |
| 1040 Real Estate Surety Fund                                   | 47.0                  | 273.5                        | 273.8                      |
| 1051 Rural Development Initiative Fund                         | 98.0                  | 99.8                         |                            |
| 1053 Investment Loss Trust Fund                                |                       | 287.2                        |                            |
| 1054 State Employment & Training Program                       | 3,400.0               |                              |                            |
| 1057 Small Business Loan Fund                                  | 3.3                   | 3.3                          | 3.4                        |
| 1061 Capital Improvement Project Receipts                      | 1,149.6               | 2,133.2                      | 1,205.0                    |
| 1062 Power Project Loan Fund                                   | 802.5                 | 802.5                        | 807.5                      |
| 1067 Mining Revolving Loan Fund                                | 5.0                   | 5.0                          | 5.1                        |
| 1068 Child Care Revolving Loan Fund                            | 5.8                   | 5.8                          | 6.0                        |
| 1069 Historical District Revolving Loan Fund                   | 2.5                   | 2.5                          | 2.5                        |
| 1070 Fisheries Enhancement Revolving Loan Fund                 | 325.5                 | 333.1                        | 332.6                      |
| 1071 Alternative Energy Revolving Loan Fund                    | 148.7                 | 151.7                        | 151.7                      |
| 1074 Bulk Fuel Revolving Loan Fund                             | 49.0                  | 49.0                         | 49.3                       |
| 1089 Power Cost Equalization Fund                              | 14,562.2              | 15,700.0                     | 15,700.0                   |
| 1101 Alaska Aerospace Development Corporation Receipts         | 43.2                  | 243.2                        | 4,200.6                    |
| 1102 Alaska Industrial Development & Export Authority Receipts | 3,267.8               | 3,979.1                      | 4,035.2                    |
| 1107 Alaska Energy Authority Corporate Receipts                | 605.0                 | 1,049.5                      | 1,051.9                    |
| 1108 Statutory Designated Program Receipts                     | 1,388.1               | 12.5                         | 20.0                       |
| 1111 Fishermans Fund Income                                    |                       | 100.0                        | 115.0                      |
| 1115 International Trade and Business Endowment Income         | 409.5                 | 4.3                          | 496.5                      |
| 1141 RCA Receipts  | 4,295.2               | 5,310.1                      | 5,944.2                    |
| 1156 Receipt Supported Services                                |                       | 19,701.1                     | 19,696.5                   |
| <b>Totals</b>  | <b>119,843.1</b>      | <b>133,076.4</b>             | <b>138,187.0</b>           |

## Position Summary

| <b>Funding Sources</b> | <b>FY2001<br/>Authorized</b> | <b>FY2002<br/>Governor</b> |
|------------------------|------------------------------|----------------------------|
| Permanent Full Time    | 461                          | 480                        |
| Permanent Part Time    | 9                            | 6                          |
| Non Permanent          | 1                            | 1                          |
| <b>Totals</b>          | <b>471</b>                   | <b>487</b>                 |



## FY2002 Capital Budget Request

| Project Title                             | General Funds    | Federal Funds     | Other Funds      | Total Funds       |
|---|------------------|-------------------|------------------|-------------------|
| Language Section: Power Cost Equalization | 4,680,000        | 0                 | 3,120,000        | 7,800,000         |
| Securities Database                       | 0                | 0                 | 300,000          | 300,000           |
| Operation Renew Hope                      | 500,000          | 30,000,000        | 0                | 30,500,000        |
| Community Block Grants                    | 0                | 9,000,000         | 0                | 9,000,000         |
| Federal Community Development Grants      | 150,000          | 1,050,000         | 0                | 1,200,000         |
| Bulk Fuel Systems Upgrades                | 0                | 3,350,000         | 1,600,000        | 4,950,000         |
| Rural Power Systems Upgrades              | 500,000          | 10,000,000        | 0                | 10,500,000        |
| Language Section: Electrical Emergencies  | 0                | 0                 | 350,000          | 350,000           |
| Alternative Energy Program                | 500,000          | 5,287,000         | 0                | 5,787,000         |
| Alaska-Russian Far East Projects Phase 2  | 0                | 305,835           | 0                | 305,835           |
| Kodiak Launch Complex Facilities          | 0                | 4,500,000         | 0                | 4,500,000         |
| Arctic Winter Games Team Alaska           | 75,000           | 0                 | 0                | 75,000            |
| <b>Department Total</b>                   | <b>6,405,000</b> | <b>63,492,835</b> | <b>5,370,000</b> | <b>75,267,835</b> |

*This is an appropriation level summary only. For allocations and the full project details see the capital budget.*

## Overview of Departmental Budget Changes

### UPDATE EXECUTIVE ADMINISTRATION AND SUPPORT COST ALLOCATION PLAN

In FY2000, the department implemented an administrative cost allocation plan (ACAP) that identified the costs of services provided by the Commissioner's Office and the Division of Administrative Services to operating divisions, special funds, and independent agencies. The ACAP was based on actual expenditures for FY97. The department implemented the ACAP to decrease the reliance on general funds for its centralized executive and support functions, allocating the cost for those services to the agencies and industries supported. To reflect changes in department operations, including the recent merger with DCRA and internal reorganizations, the ACAP has now been updated based on FY2000 actual expenditures. As a result of the update, allocated costs for services provided by the Commissioner's Office and the Division of Administrative Services for some divisions and agencies have increased while others have decreased. Increments and decrements are presented in the FY2002 budget request in recognition of these adjustments. However, no additional funding for the Commissioner's Office and the Division of Administrative Services is requested.

### TRANSFER TRADE PROGRAM FUNDING FROM GOVERNOR'S OFFICE TO DCED

In the FY01 budget, the Legislature transferred a portion of the international trade authorization from the department to the Office of the Governor although statutes place it in DCED. In order to maintain an effective, coordinated economic development program in State government, the Governor's Office has chosen to continue the international trade function within the department. The division regularly coordinates its activities with the Governor's Office. The funding for the international trade program was transferred back to the Division of International Trade and Market Development by a Reimbursable Services Agreement in FY 2001. The Governor's budget transfers the program appropriation back to the Division of International Trade and Market Development in FY 2002.

### COMMUNITY AND BUSINESS DEVELOPMENT CHANGES

- Regional Office Staff Funding Source Change from RDIF to GF -- AIDEA will no longer provide the formerly titled Rural Development Initiative Fund (RDIF) financial support to CBD for the 2002 budget year because the program is inactive. The monies funded 2 CBD rural positions (Bethel & Nome) who provided technical assistance on the RDIF but also performed numerous other functions. AIDEA has created a new program and the Division of Investments will generate and service the new loans. To maintain the level of service provided by the regional offices, general funds are sought to replace RDIF funds.
- EDA General Fund Match Increment --The division annually receives a grant from the U.S. Economic Development Administration to conduct Economic Development planning and implementation at the state level. The grant generally requires a 1:1 match. The match has traditionally been requested in the capital budget but was not funded the last 2 years in part because of criticism that it should be in the operating budget where the EDA grant federal receipts authorization is located. As a result, a general fund match increment is requested this year in the operating budget.
- Increased General Fund Program Receipts - Additional authorization is requested to receive and expend general fund program receipts from the Made in Alaska permits and miscellaneous receipts such as the sale of publications and advertising, and conference registration fees.
- Additional Federal Funding - Increased federal funding from the U.S. Dept. of Agriculture, the Denali Commission and the U.S. Forest Service is anticipated. These grants will be for block grants to communities throughout the state for economic development and community assistance.
- Delete duplicate ARDOR funding -- Ch. 43 SLA 00 extended the Alaska Regional Development Organizations (ARDOR) program. When the fiscal note was approved, it inadvertently duplicated the existing funding authorization. A decrement removes the duplicate authorization.
- Additional Federal Funding for National Program Receipts --Congress has enacted legislation (HR 2389) which will increase and stabilize future national forest receipt funding. Starting in FY 02 and continuing for six years, the Department will receive an annual payment based on the average of the three highest payment years between FFY 86 - 99. It is estimated that the annual payment to the state will be between approximately \$9 to 10 million. At this time it appears the federal appropriation for the Payment in Lieu of Taxes Program will increase from the \$134 million funding level for FY 01 to \$200 million for FY 02. The division estimates that the Department's pass-through share for cities in the Unorganized Borough will increase in FY 02 to between approximately \$5 to 6 million.

### ALASKA AEROSPACE DEVELOPMENT CORPORATION

- New Positions and Related Expenses -- With the launch site transitioning from a construction project to a revenue producing enterprise, the AADC Board of Directors has determined the need for additional staff to support the administrative, operational and maintenance demands of the Corporation. Increments are requested that would fund two positions in Anchorage: Deputy Director and a Procurement Specialist; and four positions at the Kodiak Launch

Complex: Facilities Engineer, Mechanical Technician, Documentation Specialist, and Secretary. Increased contractual services authorization is also sought due to additional launch activities and an increase in the insurance costs. Funding source is AADC corporate receipts.

· AADC Facilities Maintenance Fund Source Change -- This budget component was established in the FY 2001 budget to accurately capture the costs of the Kodiak Launch Complex (KLC). In FY 2001 federal funds have been utilized to fund a portion of operations of KLC as it moved from construction phase to operational phase of the project. The construction project is complete in FY 2001. Since the KLC will be in its operational phase in FY2002, administrative costs of running the facility will be paid from AADC corporate receipts.

#### RURAL CIRCUIT RIDER PROGRAM FUNDING SOURCE CHANGE

This program insures the reliable and efficient performance of electrical systems in rural Alaska communities and works towards completion of an inventory and assessment of facilities annually to update the Alaska Energy Authority's (AEA) database. A funding source change switching a portion of federal funds to general funds is requested because a stable source of federal funds is not available.

#### BANKING, SECURITIES, AND CORPORATIONS NEW POSITIONS

Two new fee supported positions are requested. The first is a new Administrative Clerk II. The position is needed in Anchorage to support the Business Registration Examiner to reduce the large backlog of corporation filings, many of which originate in Anchorage.

The second position is a new Analyst Programmer. This position will develop and maintain the new Securities Database requested in the Capital Budget. In addition, the position will work with current Data Processing staff to move the division to on-line filing and processing. The positions are to be funded with fees through receipt supported services.

#### OCCUPATIONAL LICENSING CHANGES

As required by AS 08.01.065(c), all Occupational Licensing increments would be funded with license fees through receipt supported services.

· DCED hearing officer funding source change -- Prior to FY00, the DCED hearing examiner conducted hearings for several divisions within the department. The Division of Occupational Licensing received interagency receipts from other divisions for hearing services. The volume of occupational licensing hearing work has required dedication of the hearing examiner exclusively to the Division of Occupational Licensing. A funding source change from interagency receipts to receipt supported services is requested to reflect the hearing examiner's current 100% funding from occupational license fees. The funding source change would be consistent with the statutory requirement that the fees from each occupation cover the cost of regulating the occupation.

· Specific Board Requests -- The State Medical Board requests additional licensing staff to speed processing of physician and physician assistant license applications. Alaska hospitals and doctors have requested quicker processing and more frequent communication during application review. The division believes this goal can best be achieved with an administrative clerk II in Anchorage and a medical licensing examiner in Juneau. The medical and nursing programs would share the clerk.

· The Board of Nursing requests additional staff to speed licensing of nurses and nurse aides. Alaska has over 8,000 nurses and over 2,000 certified nurse aides. These numbers have grown substantially over the past decade and continue to rise, straining the existing staff's ability to respond. There is a great deal of mobility in the nursing profession, and health care facilities need to be able to put new nurses and nurse aides to work immediately. The division believes the addition of an administrative clerk II in Anchorage shared by the medical and nursing programs would improve service to the public.

· The Board of Registration of Architects, Engineers and Land Surveyors requests a licensing examiner to speed licensing, improve administration of examinations, and free the board administrator to handle more complex tasks. The board is responsible for 5,000 licensed design professionals and a single licensing examiner is no longer sufficient to meet board and applicant needs.

· Department of Law Rate Increases -- Rates increased in FY01 and will increase in FY02. The division makes extensive use of the Department of Law attorneys and as a result needs additional funding to cover the increased costs.

#### REGULATORY COMMISSION OF ALASKA

· Lease --The RCA does not now have enough space to accommodate all of the current staff. The current lease expires March 31, 2001. The current lease had a ten-year term and very favorable lease rates. RCA was not able to

acquire additional space within the existing building and an RFP for new office space was issued. The new lease will have a 15-year term.

- New Positions -- The RCA continues to maintain a high current caseload in an extremely dynamic utility and telecommunications environment while addressing the large backlog of cases left from the previous Commission. Seven new positions are needed to reduce the backlog and maintain current levels of service in the face of an increasing workload.

- Travel -- The travel budget has not allowed RCA to conduct hearings in locations other than Anchorage. This limits the opportunity for public participation. In order to make the agency and its processes more accessible to the public, the RCA needs to be able to conduct hearings in the affected communities.

#### DCED STATE FACILITIES RENT FUND SOURCE ADJUSTMENTS

Increments are requested for DCED state facilities rent in the form of interagency receipts collected from the Divisions of Banking, Securities, and Corporations; Insurance; and Occupational Licensing as receipt supported services. General Fund monies are transferred to the Department of Administration.

## Summary of Department Budget Changes by BRU

## From FY2001 Authorized to FY2002 Governor

All dollars shown in thousands

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>41,788.0</b>      | <b>18,926.6</b>      | <b>72,361.8</b>    | <b>133,076.4</b>   |
| <b>Adjustments which get you to start of year:</b>               |                      |                      |                    |                    |
| -Comm Assist & Ec Dev  | -7.9                 | 3.5                  | -1.5               | -5.9               |
| -Qualified Trade Assoc. Contract                                 | 5.3                  | 0.0                  | 0.1                | 5.4                |
| -Investments   | 0.0                  | 0.0                  | -22.5              | -22.5              |
| -Alaska Aerospace Devel Corp                                     | 0.0                  | 0.0                  | -1.3               | -1.3               |
| -AIDEA   | 0.0                  | 0.0                  | 9.3                | 9.3                |
| -Alaska Seafood Marketing Inst                                   | 0.0                  | 0.0                  | -29.1              | -29.1              |
| -AK Science & Tech Foundation                                    | 0.0                  | 0.0                  | -13.5              | -13.5              |
| -Banking, Securities, and Corp                                   | 0.0                  | 0.0                  | -47.6              | -47.6              |
| -Insurance   | 0.0                  | 0.0                  | 71.6               | 71.6               |
| -Occupational Licensing  | 6.2                  | 0.0                  | 71.8               | 78.0               |
| -Reg Comm of Ak  | 0.0                  | 0.0                  | 31.0               | 31.0               |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Executive Admin   | -1,092.3             | 0.0                  | 4.3                | -1,088.0           |
| -Comm Assist & Ec Dev  | 1,615.7              | 8.2                  | 526.2              | 2,150.1            |
| -Investments   | 0.0                  | 0.0                  | 17.3               | 17.3               |
| -Alaska Aerospace Devel Corp                                     | 0.0                  | 0.0                  | 16.9               | 16.9               |
| -AIDEA   | 0.0                  | 0.0                  | 37.5               | 37.5               |
| -Rural Energy Programs   | 100.0                | -100.0               | 0.0                | 0.0                |
| -Alaska Seafood Marketing Inst                                   | -30.5                | 0.0                  | 41.6               | 11.1               |
| -AK Science & Tech Foundation                                    | 0.0                  | 0.0                  | 4.1                | 4.1                |
| -Banking, Securities, and Corp                                   | -39.8                | 0.0                  | 51.5               | 11.7               |
| -Insurance   | -77.4                | 0.0                  | 101.7              | 24.3               |
| -Occupational Licensing  | -64.5                | 0.0                  | -48.7              | -113.2             |
| -Reg Comm of Ak  | 0.0                  | 0.0                  | -75.5              | -75.5              |
| -DCED State Facilities Rent                                      | -136.4               | 0.0                  | 0.0                | -136.4             |
| <b>Proposed budget decreases:</b>                                |                      |                      |                    |                    |
| -Executive Admin   | 0.0                  | 0.0                  | -155.1             | -155.1             |
| -Comm Assist & Ec Dev  | 0.0                  | 0.0                  | -760.5             | -760.5             |
| -Alaska Seafood Marketing Inst                                   | 0.0                  | 0.0                  | -700.0             | -700.0             |
| -AK Science & Tech Foundation                                    | 0.0                  | 0.0                  | -1,000.0           | -1,000.0           |
| <b>Proposed budget increases:</b>                                |                      |                      |                    |                    |
| -Comm Assist & Ec Dev  | 155.0                | 200.0                | 35.0               | 390.0              |
| -Municipal Revenue Sharing                                       | 0.0                  | 2,000.0              | 0.0                | 2,000.0            |
| -Alaska Aerospace Devel Corp                                     | 0.0                  | 0.0                  | 3,093.2            | 3,093.2            |
| -AIDEA   | 0.0                  | 0.0                  | 27.4               | 27.4               |
| -Rural Energy Programs   | 1.8                  | 0.4                  | 11.1               | 13.3               |
| -Banking, Securities, and Corp                                   | 0.0                  | 0.0                  | 126.2              | 126.2              |
| -Insurance   | 0.0                  | 0.0                  | 72.1               | 72.1               |
| -Occupational Licensing  | 0.0                  | 0.0                  | 216.8              | 216.8              |
| -Reg Comm of Ak  | 0.0                  | 0.0                  | 673.9              | 673.9              |
| -DCED State Facilities Rent                                      | 0.0                  | 0.0                  | 178.0              | 178.0              |

|                        | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2002 Governor</b> | <b>42,223.2</b>      | <b>21,038.7</b>      | <b>74,925.1</b>    | <b>138,187.0</b>   |

## **Executive Administration Budget Request Unit**

**Contact: Tom Lawson, Administrative Services Director**

**Tel:** (907) 465-2506 **Fax:** (907) 465-2563 **E-mail:** Tom\_Lawson@dced.state.ak.us

### **BRU Mission**

- (1) to effectively and efficiently manage the department;
- (2) to set policy and direction for state programs relating to rural, community, regional and business development;
- (3) to serve as a liaison between the department and (a) private institutions, and (b) state, federal, and other public agencies; and
- (4) to provide centralized administrative support to the divisions and agencies in the Department of Community and Economic Development.

### **BRU Services Provided**

The Commissioner's Office provides leadership, sets department priorities and policy, and is the Governor's direct liaison to the department.

The Division of Administrative Services facilitates and ensures the delivery of the services provided by the Department of Community and Economic Development by giving efficient and cost effective business management support in the areas of budget, data processing, fiscal and supply, and human resources.

### **BRU Goals and Strategies**

(see component information)

### **Key BRU Issues for FY2001 – 2002**

See components.

### **Major BRU Accomplishments for FY2000**

See components.

**Executive Administration**  
**BRU Financial Summary by Component**

*All dollars in thousands*

|                                      | FY2000 Actuals |               |                |                | FY2001 Authorized |               |                |                | FY2002 Governor |               |                |                |
|--------------------------------------|----------------|---------------|----------------|----------------|-------------------|---------------|----------------|----------------|-----------------|---------------|----------------|----------------|
|                                      | General Funds  | Federal Funds | Other Funds    | Total Funds    | General Funds     | Federal Funds | Other Funds    | Total Funds    | General Funds   | Federal Funds | Other Funds    | Total Funds    |
| <b>Formula Expenditures</b><br>None. |                |               |                |                |                   |               |                |                |                 |               |                |                |
| <b>Non-Formula Expenditures</b>      |                |               |                |                |                   |               |                |                |                 |               |                |                |
| Commissioner's Office                | 323.5          | 0.0           | 352.4          | 675.9          | 261.0             | 0.0           | 412.4          | 673.4          | 262.5           | 0.0           | 414.3          | 676.8          |
| Administrative Services              | 1,500.9        | 0.0           | 730.3          | 2,231.2        | 1,265.3           | 0.0           | 1,190.3        | 2,455.6        | 1,269.6         | 0.0           | 1,042.9        | 2,312.5        |
| Trade and Development                | 1,696.6        | 45.5          | 715.9          | 2,458.0        | 0.0               | 0.0           | 0.0            | 0.0            | 0.0             | 0.0           | 0.0            | 0.0            |
| International Trade                  | 0.0            | 0.0           | 0.0            | 0.0            | 1,098.1           | 0.0           | 5.3            | 1,103.4        | 0.0             | 0.0           | 0.0            | 0.0            |
| <b>Totals</b>                        | <b>3,521.0</b> | <b>45.5</b>   | <b>1,798.6</b> | <b>5,365.1</b> | <b>2,624.4</b>    | <b>0.0</b>    | <b>1,608.0</b> | <b>4,232.4</b> | <b>1,532.1</b>  | <b>0.0</b>    | <b>1,457.2</b> | <b>2,989.3</b> |



**Executive Administration****Proposed Changes in Levels of Service for FY2002****UPDATE EXECUTIVE ADMINISTRATION AND SUPPORT COST ALLOCATION PLAN**

In FY2000, the department implemented an administrative cost allocation plan (ACAP) that identified the costs of services provided by the Commissioner's Office and the Division of Administrative Services to operating divisions, special funds, and independent agencies. The ACAP was based on actual expenditures for FY97. The department implemented the ACAP to decrease the reliance on general funds for its centralized executive and support functions, allocating the cost for those services to the agencies and industries supported. To reflect changes in department operations, including the recent merger with DCRA and internal reorganizations, the ACAP has now been updated based on FY2000 actual expenditures. As a result of the update, allocated costs for services provided by the Commissioner's Office and the Division of Administrative Services for some divisions and agencies have increased while others have decreased. Increments and decrements are presented in the FY2002 budget request in recognition of these adjustments. However, no additional funding for the Commissioner's Office and the Division of Administrative Services is requested.

**Executive Administration****Summary of BRU Budget Changes by Component****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>2,624.4</b>       | <b>0.0</b>           | <b>1,608.0</b>     | <b>4,232.4</b>     |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Commissioner's Office   | 1.5                  | 0.0                  | 1.9                | 3.4                |
| -Administrative Services   | 4.3                  | 0.0                  | 7.7                | 12.0               |
| -International Trade   | -1,098.1             | 0.0                  | -5.3               | -1,103.4           |
| <b>Proposed budget decreases:</b>                                |                      |                      |                    |                    |
| -Administrative Services   | 0.0                  | 0.0                  | -155.1             | -155.1             |
| <b>FY2002 Governor</b>   | <b>1,532.1</b>       | <b>0.0</b>           | <b>1,457.2</b>     | <b>2,989.3</b>     |

## **Component: Commissioner's Office**

### **Contact: Tom Lawson, Administrative Services Director**

**Tel:** (907) 465-2505 **Fax:** (907) 465-2563 **E-mail:** Tom\_Lawson@dced.state.ak.us

## **Component Mission**

To effectively manage the department and to serve as a liaison between the department and private, governmental, and other institutions and agencies.

## **Component Services Provided**

The Commissioner provides leadership, sets department priorities and policy, and is the Governor's direct liaison to the department. The Commissioner directs policy through coordination with directors of the line divisions and independent agencies which comprise the department. The Commissioner's Office staff support the Commissioner in the overall management and coordination of departmental activities, policy direction, management oversight, and legislative coordination. In addition to program responsibilities, the Commissioner serves on the following boards and commissions:

Alaska Aerospace Development Corporation  
Alaska Coastal Policy Council  
Alaska Commission on Aging  
Alaska Human Resources Investment Council  
Alaska Industrial Development and Export Authority  
Alaska Energy Authority  
Alaska Railroad Corporation  
Alaska Royalty Oil and Gas Development Advisory Board  
Alaska Student Loan Corporation  
Board of Marine Pilots  
Oil and Gas Policy Council  
Power Project Loan Committee  
Prince William Sound Oil Spill Recovery Institute Advisory Board  
State Bond Committee  
Telecommunications Information Council

## **Component Goals and Strategies**

### **Strengthen Rural Communities**

- Increase the capacity of local government to effectively provide essential public services by providing communities with training and onsite technical assistance.
- Enhance the availability and quality of basic local government services by providing financial assistance that supplements local revenue generation.
- Assist communities experiencing sudden economic dislocation.

### **Diversify Alaska's economic base to benefit all Alaskans.**

- Partner with other state agencies, private businesses, ANCSA corporations, tribes, and local governments to identify and development opportunities for regional and local economic development.
- Work with the Governor's Jobs Cabinet in seeking solutions and strategies for improving the economic climate in rural Alaska.

Market Alaska's commercial opportunities and geographic advantages to the rest of the nation and the global business community.

- Visit corporate boardrooms to solicit investment in Alaska.
- Participate in business trade missions to key markets and potential markets.

- Work with the private sector to develop and implement tourism programs designed to increase independent travelers to Alaska and expand tourism benefits to rural areas of the state.

Strengthen Alaska's businesses.

- Provide technical and financial assistance.
- Advocate for the reduction of barriers to diversified economic development.

Protect Alaska's citizens and businesses.

- Maintain a fair and consistent regulatory environment.
- Support regulations that balance economic, public safety and environmental issues.

### **Key Component Issues for FY2001 – 2002**

**Operation Renew Hope** - In July the Governor declared a fisheries disaster for the Yukon River, Kuskokwim River and Norton Sound salmon fisheries. In response to this disaster, the Governor created Operation Renew Hope to pull together all the various state and federal programs that could respond to the short and long term disaster impacts under this organizational umbrella. The department's participation in this effort has resulted in substantial new responsibilities for staff, particularly within the Commissioner's Office and the Division of Community and Business Development's regional office structure. At this point, federal funding is uncertain. Federal and/or State funding is necessary for the department to maintain the current level of assistance.

**Municipal Government** - Many cities in Alaska are struggling to maintain basic services. There are more than 40 smaller municipalities in Alaska that rely on state shared revenue for over 30% of their operating budget. Many communities (particularly in the Yukon/Kuskokwim Delta) are choosing to recognize their tribal organizations as their local governments, raising questions concerning the distribution of municipal property and the extent of tribal powers. Over the last 15 years, the state's two major revenue sharing programs have been cut by more than 85%. Division of Community and Business Development staff have been working with the Legislature to explore modified revenue sharing programs that could limit the impact of cuts on the most financially vulnerable cities, and working with cities to identify sources of local revenue and decide how to most effectively use these limited resources.

**Power Cost Equalization** - The PCE endowment fund is expected to generate approximately \$7.3 million for PCE in FY02. The endowment is expected to generate approximately \$13.5 million for PCE in future years beginning in FY03 after the proceeds from Four Dam Pool divestiture are deposited. The key issue for FY02 is that the estimated \$7.3 million contribution from the endowment fund, plus \$1.3 million carry forward from FY01 and \$0.5 million in short-term interest earnings, leaves a shortfall of \$6.6 million.

**International Trade and Market Development** - Maintaining and improving Alaska's export market share, and expanding and diversifying the economy, are key for Alaska's economy and jobs. For export markets, the key is Asia. Countries in the region account for nearly 80% of Alaska's total worldwide exports. The state must maintain our effective trade presence - via in-state trade specialists and overseas representatives in Japan, Korea, Taiwan and the Russian Far East -- to assist Alaska businesses as the post "Asian flu" recovery continues. Alaska must also establish an active trade presence in China, the world's largest emerging market. To expand the economy, Alaska must attract new industry and investment to the state -- a highly competitive endeavor. Cities, counties, states and nations compete to attract business to their communities. If Alaska is to succeed in attracting its fair share, sufficient resources will need to be deployed.

### **Major Component Accomplishments for FY2000**

Successfully merged the Departments of Commerce and Economic Development and Community and Regional Affairs in accordance with HB 40, passed by the 1999 Legislature. Reorganized the former divisions of Tourism, Trade & Development, and Municipal & Regional Assistance into two new divisions: International Trade & Market Development and Community & Business Development, effective July 1, 2000.

Coordinated Operation Renew Hope, the State's multi-departmental response to the Yukon, Kuskokwim, and Norton Sound fishery disaster.

DCED, in conjunction with the Department of Fish & Game, conducted the first ever multi-species Community Development Quota (CDQ) allocation. All species including groundfish, halibut and crab were allocated among the six groups for the two-year CDQ allocation period of 2001 and 2002. In recognition of the growing maturity of the CDQ groups, the department also worked with the National Marine Fisheries Service and the CDQ groups to streamline the CDQ regulatory process.

The Division of International Trade and Market Development introduced fresh Alaska seafood to hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in over \$200,000 in direct sales and over \$2 million projected sales by Alaska seafood companies to new customers in Korea.

Alaska businesses made contacts in Japan and China during Governor-led trade mission. The ten-day, 33-member trade mission highlighted Alaska businesses' strengths in energy, seafood, and technical services in Tokyo, Hong Kong, Shanghai and Beijing. Results included actual new business contracts and potential business for Alaska companies.

## Statutory and Regulatory Authority

AS 44.33.010-020

## Key Performance Measures for FY2002

**Measure: The percentage of divisions that meet assigned performance measures.**

*(Added by Legislature in FY2001 version.)*

**Measure: The reduction in per unit cost in the departmental divisions.**

*(Added by Legislature in FY2001 version.)*

## Status of FY2001 Performance Measures

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|---|-----------------|-----------------|-------------------------|------------------------------|---------------------------|
| <ul style="list-style-type: none"> <li>The percentage of divisions that meet assigned performance measures.</li> <li>The reduction in per unit cost in the departmental divisions.</li> </ul> |                 |                 | X                       |                              |                           |
|   |                 |                 | X                       |                              |                           |

## Commissioner's Office

### Component Financial Summary

*All dollars in thousands*

|                                | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--------------------------------|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>    |                |                   |                 |
| <b>Component Expenditures:</b> |                |                   |                 |
| 71000 Personal Services        | 409.7          | 436.2             | 447.0           |
| 72000 Travel                   | 40.6           | 32.0              | 32.0            |
| 73000 Contractual              | 59.6           | 73.0              | 65.6            |
| 74000 Supplies                 | 15.3           | 7.2               | 7.2             |
| 75000 Equipment                | 25.7           | 0.0               | 0.0             |
| 76000 Land/Buildings           | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims           | 125.0          | 125.0             | 125.0           |
| 78000 Miscellaneous            | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>      | <b>675.9</b>   | <b>673.4</b>      | <b>676.8</b>    |
| <b>Funding Sources:</b>        |                |                   |                 |
| 1004 General Fund Receipts     | 323.5          | 261.0             | 262.5           |
| 1007 Inter-Agency Receipts     | 352.4          | 412.4             | 414.3           |
| <b>Funding Totals</b>          | <b>675.9</b>   | <b>673.4</b>      | <b>676.8</b>    |

### Estimated Revenue Collections

| Description                         | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|-------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b><u>Unrestricted Revenues</u></b> |                        |                |                   |                      |                 |                 |
| None.                               |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>           |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b><u>Restricted Revenues</u></b>   |                        |                |                   |                      |                 |                 |
| Interagency Receipts                | 51015                  | 352.4          | 412.4             | 412.4                | 414.3           | 414.3           |
| Investment Loss Trust Fund          | 51393                  | 0.0            | 3.4               | 0.0                  | 0.0             | 0.0             |
| <b>Restricted Total</b>             |                        | <b>352.4</b>   | <b>415.8</b>      | <b>412.4</b>         | <b>414.3</b>    | <b>414.3</b>    |
| <b>Total Estimated Revenues</b>     |                        | <b>352.4</b>   | <b>415.8</b>      | <b>412.4</b>         | <b>414.3</b>    | <b>414.3</b>    |

**Commissioner's Office****Proposed Changes in Levels of Service for FY2002**

None.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>261.0</b>         | <b>0.0</b>           | <b>412.4</b>       | <b>673.4</b>       |
| <b>Adjustments which will continue<br/>current level of service:</b> |                      |                      |                    |                    |
| -Year 2 Labor Costs - Net Change<br>from FY 2001                     | 1.5                  | 0.0                  | 1.9                | 3.4                |
| <b>FY2002 Governor</b>   | <b>262.5</b>         | <b>0.0</b>           | <b>414.3</b>       | <b>676.8</b>       |

**Commissioner's Office****Personal Services Information**

| <b>Authorized Positions</b> |                              |                            | <b>Personal Services Costs</b>   |                |
|-----------------------------|------------------------------|----------------------------|----------------------------------|----------------|
|                             | <b>FY2001<br/>Authorized</b> | <b>FY2002<br/>Governor</b> |                                  |                |
| Full-time                   | 6                            | 6                          | Annual Salaries                  | 346,962        |
| Part-time                   | 0                            | 0                          | COLA                             | 7,391          |
| Nonpermanent                | 0                            | 0                          | Premium Pay                      | 0              |
|                             |                              |                            | Annual Benefits                  | 106,470        |
|                             |                              |                            | <i>Less 3.00% Vacancy Factor</i> | (13,823)       |
|                             |                              |                            | Lump Sum Premium Pay             | 0              |
| <b>Totals</b>               | <b>6</b>                     | <b>6</b>                   | <b>Total Personal Services</b>   | <b>447,000</b> |

**Position Classification Summary**

| <b>Job Class Title</b>  | <b>Anchorage</b> | <b>Fairbanks</b> | <b>Juneau</b> | <b>Others</b> | <b>Total</b> |
|-------------------------|------------------|------------------|---------------|---------------|--------------|
| Administrative Clerk II | 0                | 0                | 1             | 0             | 1            |
| Commissioner            | 1                | 0                | 0             | 0             | 1            |
| Dep Commissioner        | 1                | 0                | 1             | 0             | 2            |
| Exec Secretary II       | 1                | 0                | 0             | 0             | 1            |
| Secretary               | 0                | 0                | 1             | 0             | 1            |
| <b>Totals</b>           | <b>3</b>         | <b>0</b>         | <b>3</b>      | <b>0</b>      | <b>6</b>     |

## **Component: Administrative Services**

### **Contact: Tom Lawson, Division Director**

**Tel:** (907) 465-2506 **Fax:** (907) 465-2563 **E-mail:** Tom\_Lawson@dced.state.ak.us

## **Component Mission**

To provide management services and centralized administrative support to the divisions and agencies in the department.

## **Component Services Provided**

Facilitates and ensures the delivery of the services provided by the Department of Community and Economic Development by giving efficient and cost effective business management support in four areas:

Fiscal and Supply provides centralized financial and property management to the department, including timely and accurate payment of vendor billings, processing of employee travel payments, ensuring that professional services contracts are entered into expeditiously and in accordance with the state procurement code, assisting divisions in monitoring expenditures to ensure that appropriations are not overspent, purchasing department supplies and equipment, maintaining departmental property, providing mailroom services, and offering training in the state's financial, travel and procurement systems.

Budget assists the department's divisions and agencies in developing operating and capital budget requests, preparing and presenting agency budget overviews to the Office of Management and Budget and the Legislature, and monitoring appropriations throughout the year.

Data Processing maintains and installs the department's computer systems, network, databases, and webpages; provides database and e-commerce development services; and trains users in software and hardware capabilities.

Human Resources provides a full range of services to the department which includes ensuring compliance with all federal and state employment laws and regulations as well as collective bargaining agreements, recruitment, employee/management relations, leave/benefits administration, payroll services, and assists the department's managers in developing a high quality work force.

## **Component Goals and Strategies**

Manage the department's finances and property efficiently and effectively:

- Ensure appropriations are not overspent.
- Ensure compliance with procurement statutes/regulations.
- Pay vendors promptly and accurately.
- Maintain efficient State cash flow.
- Reimburse employee travel accurately and timely.
- Maintain accurate property control inventory.
- Distribute mail timely.

Develop and manage the department budgets in an accurate, uniform and timely manner.

- Ensure that the Commissioner's Office can make informed decisions on the budget.
- Maintain budgetary control throughout the fiscal year.

Provide Data Processing services efficiently and effectively:

- Provide an environment that makes department data easily accessible to local area, wide area and Internet users.
- Provide effective security on department data so that the data is never in any danger of being compromised.
- Create a suite of applications for each division that will allow employees to do their jobs as quickly and efficiently as possible.
- Respond to requests for programming in as timely a manner possible.



- Meet with key division personnel on a periodic basis to assess their future and present needs and to establish timelines for completing their requests.
- Maintain and tune all applications so they are efficient and bug free.
- Develop internet applications that will allow the public to access information maintained by the department.
- Develop e-commerce applications that will allow licensees in all divisions to update or make initial licensure from the web.
- Provide quick and effective help to department employees for resolution of computer related problems.
- Maintain a trouble free network of computers, routers, printers, scanners and other devices that make up the entire network.

Provide exceptional human resources services to department employees and managers.

- Assist managers and supervisors with recruitment strategies that are cost effective yet produce quality candidates for consideration.
- Assist managers and supervisors to work with troubled employees to correct performance or other workplace issues. Terminate nonproductive employees through appropriate and humane procedures when the costs are likely to exceed the returns.
- Retain productive employees through appropriate classification, effective development, recognition and reward systems.
- Develop a "shared vision" among agency managers and employees.

### **Key Component Issues for FY2001 – 2002**

The Department is increasingly encountering the recruitment/retention difficulties faced by all state agencies. Recruitment for positions requiring specialized technical expertise (computer programmers, utility engineering and tariff analysis, etc.) is becoming more and more difficult due to lack of qualified in-state candidates coupled with non-competitive salaries within those fields nationwide. State employee salaries and benefits generally are no longer as competitive as is necessary to attract quality candidates for many state positions. A contributing factor is the "graying" of the workforce, a nationwide phenomenon wherein the "baby boomer" generation of workers is reaching retirement age en masse. Younger replacement workers are not only far fewer in numbers, they do not share the prior generations' notion of staying with the same employer for years. Even if quality replacement workers are found, the state currently does not have the tools/ability to provide retention incentives. In particular, retaining staff in the division's Data Processing group is, and is likely to remain, a problem. A great deal of effort is spent recruiting, hiring, and training DP staff only to have staff depart for jobs outside of state government.

The division has updated the department's cost allocation plan, through which costs are charged to departmental divisions and agencies for services provided by the division and the Commissioner's Office. In addition, an indirect rate plan is being prepared and will be submitted to the federal government for approval. The purpose of the plan is to establish the department's indirect rate so that administrative overhead can be charged to the federal grants awarded to the department.

The division is continuously seeking out and implementing ways to reduce the cost of its services as well as the cost of departmental administrative overhead in general. Numerous processes and procedures have already been streamlined to minimize the amount of time and effort it takes to get things done (both within and outside the division), while maintaining appropriate accountability controls.

### **Major Component Accomplishments for FY2000**

The merging and consolidation of Department functions continued with the creation of the Division of Community and Business Development by combining the former Divisions of Municipal and Regional Assistance and Tourism and the domestic development functions from the Division of Trade and Development. Staff from the 3 sources were successfully combined and no layoffs or adverse personnel actions resulted.

The Data Processing Group developed and implemented the online business license application and renewal service for the Division of Occupational Licensing. New business licenses as well as renewals are issued instantaneously with payment via credit card.

The department made it through the Y2K roll over with minimal errors and issues. No client related services suffered any interruptions due to the Y2K roll over.

## **Statutory and Regulatory Authority**

AS 44.33.010-020 Administrative Services

### **Key Performance Measures for FY2002**

#### **Measure: The number of late penalties for payroll or vendor payments.**

*(Added by Legislature in FY2001 version.)*

##### **Current Status:**

\$1.2 in penalties was paid by ASMI on their travel account in FY00. FY01 so far is 0.

##### **Benchmark:**

Not known.

#### **Measure: The number of audit exceptions.**

*(Added by Legislature in FY2001 version.)*

##### **Current Status:**

One audit exception in FY99. FY00 & FY01 audits not completed yet.

##### **Benchmark:**

Not known.

#### **Measure: The number of procurement protests.**

*(Added by Legislature in FY2001 version.)*

##### **Current Status:**

In FY00 there were 4 protests and of the 4, 2 were denied with denial upheld, 1 to appeal with a settlement and 1 is being pursued judicially.

##### **Benchmark:**

Not known.

#### **Measure: The number of union employees in the department who file grievances compared to other departments.**

*(Added by Legislature in FY2001 version.)*

##### **Current Status:**

In FY00, 8 grievances were filed in DCED, ranking DCED with 2 other departments having the lowest number of grievances filed. None have been filed to date with DCED in FY01.

##### **Benchmark:**

Not known.

#### **Measure: The number of grievances advanced to and sustained in arbitration.**

*(Added by Legislature in FY2001 version.)*

##### **Current Status:**

There were no grievances advanced to and sustained in arbitration in FY00 and none have occurred to date in FY01.

**Benchmark:**

Not known.

**Measure: The number of contested classification actions.***(Added by Legislature in FY2001 version.)***Current Status:**

There were no contested classification actions in FY00 and none have occurred to date in FY01.

**Benchmark:**

Not known.

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon<br/>to tell</i> | <i>Not likely<br/>to achieve</i> | <i>Needs<br/>modification</i> |
|---|-----------------|-----------------|-----------------------------|----------------------------------|-------------------------------|
| <ul style="list-style-type: none"> <li>• The number of late penalties for payroll or vendor payments.</li> <li>• The number of audit exceptions.</li> <li>• The number of procurement protests.</li> <li>• The number of union employees in the department who file grievances compared to other departments.</li> <li>• The number of grievances advanced to and sustained in arbitration.</li> <li>• The number of contested classification actions.</li> </ul> |                 | X<br><br>X<br>X | <br><br><br>X<br><br>X<br>X |                                  |                               |

## Administrative Services

### Component Financial Summary

*All dollars in thousands*

|   | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|---|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>               |                |                   |                 |
| <b>Component Expenditures:</b>            |                |                   |                 |
| 71000 Personal Services                   | 1,778.4        | 2,081.1           | 2,054.8         |
| 72000 Travel                              | 32.5           | 19.5              | 17.5            |
| 73000 Contractual                         | 254.9          | 323.2             | 210.4           |
| 74000 Supplies                            | 47.2           | 30.1              | 28.1            |
| 75000 Equipment                           | 118.2          | 1.7               | 1.7             |
| 76000 Land/Buildings                      | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                      | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                       | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                 | <b>2,231.2</b> | <b>2,455.6</b>    | <b>2,312.5</b>  |
| <b>Funding Sources:</b>                   |                |                   |                 |
| 1004 General Fund Receipts                | 1,500.9        | 1,265.3           | 1,269.6         |
| 1007 Inter-Agency Receipts                | 730.3          | 1,110.2           | 1,042.9         |
| 1061 Capital Improvement Project Receipts | 0.0            | 80.1              | 0.0             |
| <b>Funding Totals</b>                     | <b>2,231.2</b> | <b>2,455.6</b>    | <b>2,312.5</b>  |

### Estimated Revenue Collections

| Description                          | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|--------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>         |                        |                |                   |                      |                 |                 |
| None.                                |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>            |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>           |                        |                |                   |                      |                 |                 |
| Interagency Receipts                 | 51015                  | 730.5          | 1,110.2           | 1,110.2              | 1,042.9         | 1,042.9         |
| Capital Improvement Project Receipts | 51200                  | 0.0            | 80.1              | 80.1                 | 0.0             | 0.0             |
| <b>Restricted Total</b>              |                        | <b>730.5</b>   | <b>1,190.3</b>    | <b>1,190.3</b>       | <b>1,042.9</b>  | <b>1,042.9</b>  |
| <b>Total Estimated Revenues</b>      |                        | <b>730.5</b>   | <b>1,190.3</b>    | <b>1,190.3</b>       | <b>1,042.9</b>  | <b>1,042.9</b>  |

**Administrative Services****Proposed Changes in Levels of Service for FY2002**

None.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>1,265.3</b>       | <b>0.0</b>           | <b>1,190.3</b>     | <b>2,455.6</b>     |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Year 2 Labor Costs - Net Change from Fy 2001                    | 4.3                  | 0.0                  | 7.7                | 12.0               |
| <b>Proposed budget decreases:</b>                                |                      |                      |                    |                    |
| -Reduce CIP receipts   | 0.0                  | 0.0                  | -80.1              | -80.1              |
| -Interagency Receipts Reduction                                  | 0.0                  | 0.0                  | -75.0              | -75.0              |
| <b>FY2002 Governor</b>   | <b>1,269.6</b>       | <b>0.0</b>           | <b>1,042.9</b>     | <b>2,312.5</b>     |

**Administrative Services****Personal Services Information**

| Authorized Positions |                              |                            | Personal Services Costs          |                  |
|----------------------|------------------------------|----------------------------|----------------------------------|------------------|
|                      | <b>FY2001<br/>Authorized</b> | <b>FY2002<br/>Governor</b> |                                  |                  |
| Full-time            | 39                           | 37                         | Annual Salaries                  | 1,598,725        |
| Part-time            | 1                            | 0                          | COLA                             | 25,306           |
| Nonpermanent         | 0                            | 0                          | Premium Pay                      | 0                |
|                      |                              |                            | Annual Benefits                  | 561,918          |
|                      |                              |                            | <i>Less 6.00% Vacancy Factor</i> | (131,157)        |
|                      |                              |                            | Lump Sum Premium Pay             | 0                |
| <b>Totals</b>        | <b>40</b>                    | <b>37</b>                  | <b>Total Personal Services</b>   | <b>2,054,792</b> |

**Position Classification Summary**

| <b>Job Class Title</b>     | <b>Anchorage</b> | <b>Fairbanks</b> | <b>Juneau</b> | <b>Others</b> | <b>Total</b> |
|----------------------------|------------------|------------------|---------------|---------------|--------------|
| Accountant III             | 0                | 0                | 2             | 0             | 2            |
| Accountant V               | 0                | 0                | 1             | 0             | 1            |
| Accounting Clerk II        | 0                | 0                | 2             | 0             | 2            |
| Accounting Tech I          | 1                | 0                | 2             | 0             | 3            |
| Accounting Tech II         | 0                | 0                | 3             | 0             | 3            |
| Accounting Tech III        | 0                | 0                | 1             | 0             | 1            |
| Administrative Clerk II    | 1                | 0                | 0             | 0             | 1            |
| Administrative Clerk III   | 0                | 0                | 1             | 0             | 1            |
| Analyst/Programmer IV      | 0                | 0                | 1             | 0             | 1            |
| Analyst/Programmer V       | 0                | 0                | 1             | 0             | 1            |
| Data Communicatns Spec I   | 1                | 0                | 0             | 0             | 1            |
| Data Processing Mgr I      | 0                | 0                | 1             | 0             | 1            |
| Division Director          | 0                | 0                | 1             | 0             | 1            |
| Human Resources Mgr II     | 0                | 0                | 1             | 0             | 1            |
| Mail Clerk Carrier II      | 0                | 0                | 2             | 0             | 2            |
| Micro/Network Tech II      | 2                | 0                | 2             | 0             | 4            |
| Personnel Asst I           | 0                | 0                | 2             | 0             | 2            |
| Personnel Specialist I     | 1                | 0                | 1             | 0             | 2            |
| Procurement Spec II        | 0                | 0                | 2             | 0             | 2            |
| Procurement Spec III       | 0                | 0                | 1             | 0             | 1            |
| Program Budget Analyst III | 0                | 0                | 1             | 0             | 1            |
| Publications Spec II       | 0                | 0                | 2             | 0             | 2            |
| Supply Technician II       | 0                | 0                | 1             | 0             | 1            |
| <b>Totals</b>              | <b>6</b>         | <b>0</b>         | <b>31</b>     | <b>0</b>      | <b>37</b>    |

### **Component: International Trade**

#### **Contact: Greg Wolf, Director**

**Tel:** (907) 269-8115 **Fax:** (907) 269-8125 **E-mail:** greg\_wolf@dced.state.ak.us

### **Component Mission**

See the International Trade and Market Development component under the Community Assistance and Economic Development BRU.

### **Component Services Provided**

No services provided.

### **Component Goals and Strategies**

No goals and strategies.

### **Key Component Issues for FY2001 – 2002**

No key issues.

### **Major Component Accomplishments for FY2000**

No major accomplishments.

### **Statutory and Regulatory Authority**

No statutes and regulations.

## International Trade

### Component Financial Summary

*All dollars in thousands*

|   | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|---|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                               |                |                   |                 |
| <b>Component Expenditures:</b>                            |                |                   |                 |
| 71000 Personal Services                                   | 0.0            | 761.2             | 0.0             |
| 72000 Travel  | 0.0            | 63.7              | 0.0             |
| 73000 Contractual   | 0.0            | 278.5             | 0.0             |
| 74000 Supplies  | 0.0            | 0.0               | 0.0             |
| 75000 Equipment   | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings                                      | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                                      | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                                       | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                                 | <b>0.0</b>     | <b>1,103.4</b>    | <b>0.0</b>      |
| <b>Funding Sources:</b>                                   |                |                   |                 |
| 1004 General Fund Receipts                                | 0.0            | 1,098.1           | 0.0             |
| 1007 Inter-Agency Receipts                                | 0.0            | 1.0               | 0.0             |
| 1115 International Trade and Business<br>Endowment Income | 0.0            | 4.3               | 0.0             |
| <b>Funding Totals</b>                                     | <b>0.0</b>     | <b>1,103.4</b>    | <b>0.0</b>      |

### Estimated Revenue Collections

| Description                               | Master<br>Revenue<br>Account | FY2000<br>Actuals | FY2001<br>Authorized | FY2001<br>Cash<br>Estimate | FY2002<br>Governor | FY2003<br>Forecast |
|---|------------------------------|-------------------|----------------------|----------------------------|--------------------|--------------------|
| <b>Unrestricted Revenues</b>              |                              |                   |                      |                            |                    |                    |
| None.                                     |                              | 0.0               | 0.0                  | 0.0                        | 0.0                | 0.0                |
| <b>Unrestricted Total</b>                 |                              | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>                 | <b>0.0</b>         | <b>0.0</b>         |
| <b>Restricted Revenues</b>                |                              |                   |                      |                            |                    |                    |
| Interagency Receipts                      | 51015                        | 0.0               | 1.0                  | 1.0                        | 0.0                | 0.0                |
| Intl Trade & Business<br>Endowment Income | 51422                        | 0.0               | 4.3                  | 4.3                        | 0.0                | 0.0                |
| <b>Restricted Total</b>                   |                              | <b>0.0</b>        | <b>5.3</b>           | <b>5.3</b>                 | <b>0.0</b>         | <b>0.0</b>         |
| <b>Total Estimated Revenues</b>           |                              | <b>0.0</b>        | <b>5.3</b>           | <b>5.3</b>                 | <b>0.0</b>         | <b>0.0</b>         |



**International Trade****Proposed Changes in Levels of Service for FY2002**

No service changes.

**Summary of Component Budget Changes**  
**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>1,098.1</b>       | <b>0.0</b>           | <b>5.3</b>         | <b>1,103.4</b>     |
| <b>Adjustments which will continue<br/>current level of service:</b> |                      |                      |                    |                    |
| -Transfer funding to Int'l Trade and<br>Market Dev Component         | -1,098.1             | 0.0                  | -5.3               | -1,103.4           |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>0.0</b>         | <b>0.0</b>         |

## International Trade

## Personal Services Information

| Authorized Positions |                      |                    | Personal Services Costs        |          |
|----------------------|----------------------|--------------------|--------------------------------|----------|
|                      | FY2001<br>Authorized | FY2002<br>Governor |                                |          |
|                      |                      |                    | Annual Salaries                | 0        |
| Full-time            | 11                   | 0                  | Premium Pay                    | 0        |
| Part-time            | 1                    | 0                  | Annual Benefits                | 0        |
| Nonpermanent         | 0                    | 0                  | Less 0.00% Vacancy Factor      | (0)      |
|                      |                      |                    | Lump Sum Premium Pay           | 0        |
| <b>Totals</b>        | <b>12</b>            | <b>0</b>           | <b>Total Personal Services</b> | <b>0</b> |

## Position Classification Summary

| Job Class Title       | Anchorage | Fairbanks | Juneau   | Others   | Total    |
|-----------------------|-----------|-----------|----------|----------|----------|
| No personal services. |           |           |          |          |          |
| <b>Totals</b>         | <b>0</b>  | <b>0</b>  | <b>0</b> | <b>0</b> | <b>0</b> |

## **Community Assistance & Economic Development Budget Request Unit**

**Contact: Tom Lawson, Administrative Services Director**

**Tel:** (907) 465-2506 **Fax:** (907) 465-2563 **E-mail:** Tom\_Lawson@dced.state.ak.us

### **BRU Mission**

See components.

### **BRU Services Provided**

See components.

### **BRU Goals and Strategies**

See components.

### **Key BRU Issues for FY2001 – 2002**

See components.

### **Major BRU Accomplishments for FY2000**

See components.

## Community Assistance &amp; Economic Development

## BRU Financial Summary by Component

*All dollars in thousands*

|   | FY2000 Actuals |               |             |             | FY2001 Authorized |                |                |                | FY2002 Governor |                |                |                 |
|---|----------------|---------------|-------------|-------------|-------------------|----------------|----------------|----------------|-----------------|----------------|----------------|-----------------|
|   | General Funds  | Federal Funds | Other Funds | Total Funds | General Funds     | Federal Funds  | Other Funds    | Total Funds    | General Funds   | Federal Funds  | Other Funds    | Total Funds     |
| <b>Formula Expenditures</b><br>None.                                |                |               |             |             |                   |                |                |                |                 |                |                |                 |
| <b>Non-Formula Expenditures</b><br>Community & Business Development | 0.0            | 0.0           | 0.0         | 0.0         | 4,235.0           | 1,161.0        | 3,763.2        | 9,159.2        | 4,523.5         | 1,372.7        | 2,933.7        | 8,829.9         |
| Int'l Trade and Market Dev  | 0.0            | 0.0           | 0.0         | 0.0         | 0.0               | 0.0            | 0.0            | 0.0            | 1,474.3         | 0.0            | 628.7          | 2,103.0         |
| <b>Totals</b>   | <b>0.0</b>     | <b>0.0</b>    | <b>0.0</b>  | <b>0.0</b>  | <b>4,235.0</b>    | <b>1,161.0</b> | <b>3,763.2</b> | <b>9,159.2</b> | <b>5,997.8</b>  | <b>1,372.7</b> | <b>3,562.4</b> | <b>10,932.9</b> |

**Community Assistance & Economic Development**  
**Proposed Changes in Levels of Service for FY2002**

See components.

**Community Assistance & Economic Development**  
**Summary of BRU Budget Changes by Component**  
**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>4,235.0</b>       | <b>1,161.0</b>       | <b>3,763.2</b>     | <b>9,159.2</b>     |
| <b>Adjustments which get you to start of year:</b>               |                      |                      |                    |                    |
| -Community & Business Development                                | 13.3                 | 3.5                  | 7.2                | 24.0               |
| -Int'l Trade and Market Dev                                      | -21.2                | 0.0                  | -8.7               | -29.9              |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Community & Business Development                                | 120.2                | 8.2                  | -91.2              | 37.2               |
| -Int'l Trade and Market Dev                                      | 1,495.5              | 0.0                  | 617.4              | 2,112.9            |
| <b>Proposed budget decreases:</b>                                |                      |                      |                    |                    |
| -Community & Business Development                                | 0.0                  | 0.0                  | -760.5             | -760.5             |
| <b>Proposed budget increases:</b>                                |                      |                      |                    |                    |
| -Community & Business Development                                | 155.0                | 200.0                | 15.0               | 370.0              |
| -Int'l Trade and Market Dev                                      | 0.0                  | 0.0                  | 20.0               | 20.0               |
| <b>FY2002 Governor</b>   | <b>5,997.8</b>       | <b>1,372.7</b>       | <b>3,562.4</b>     | <b>10,932.9</b>    |

## **Component: Community and Business Development**

**Contact: Pat Poland, Director**

**Tel:** (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat\_Poland@dced.state.ak.us

### **Component Mission**

The mission of the Division of Community and Business Development is to promote independent local governments and job growth.

### **Component Services Provided**

1. General Local Government Assistance. Advice and assistance related to public service delivery, financial management, elections, ordinance development, and newly elected officials training.
2. Rural Utility Business Advisor (RUBA). Business, finance, personnel and general management assistance to governments and local organizations responsible for operating sewer and water utilities in rural Alaska.
3. Community Development Quota (CDQ). Assist western Alaska communities with their participation in the CDQ Program, a fisheries development initiative.
4. Coordinated Response Projects. Assistance to communities experiencing sudden economic dislocation as a result of major economic disruptions.
5. Land Management Assistance. Site control, Municipal Lands Trust program and mapping services
6. Community Planning. The Alaska Coastal Management Program and the National Flood Insurance Program.
7. State Assessor's Office. Advice and assistance for municipalities on assessment and taxation issues, local property full and true value determinations and monitoring of local assessment practices for compliance with state law.
8. Local Boundary Commission. Analysis and recommendations regarding municipal boundary changes and incorporations, administrative and technical support for the Commission's activities.
9. Business Development. Assist Alaska's developing businesses to grow and diversify.
10. Resource Use Policy. Work with public and private sectors on development of natural resource allocation policies
11. Resource Products. Provide technical assistance, resources support and value-added products.
12. Community Economic Development. Promote economic development at the community level through technical assistance.
13. Tourism Marketing. Continue to manage the state's statewide tourism marketing contract with a qualified trade association. For the second year of the contract, identify components of a statewide tourism marketing plan, approve the plan and oversee its implementation.
14. Tourism Development. Foster tourism business development through improved land use planning and permitting, and better transportation access to developing visitor attractions and destinations.
15. Tourism Information. Provide tourism and trip planning information services to travelers at the Alaska Public Lands Information Center (APLIC) located in Tok.

### **Component Goals and Strategies**

#### **INCREASE THE CAPACITY OF LOCAL GOVERNMENT TO EFFECTIVELY PROVIDE ESSENTIAL PUBLIC SERVICES**

- Provide communities training and on-site technical assistance.
- Help local governments implement new National Flood Insurance Program requirements.
- Develop handbooks, technical publications and Internet resources.
- Provide direct service to the division's clients through the division's network of regional offices.

#### **HELP RURAL COMMUNITIES MEET THE CHALLENGE OF MANAGING AND OPERATING EFFECTIVE AND EFFICIENT SANITATION FACILITIES**

- Assist local governments in their analysis of the ability to pay issues prior to the selection of sanitation system designs.

- Help local governments develop appropriate fee structures and collection procedures to promote self-sufficiency for local utilities.
- Develop debt reduction plans for local governments faced with substantial debts.
- Provide payroll, bookkeeping and accounting training for city staff.
- Provide management advice on structuring local organizations to operate and manage sanitation utility services.
- Provide training on planning, personnel management, public relations and general administration of sanitation utilities.

**ENSURE THAT RESIDENTS OF SMALL RURAL COMMUNITIES IN WESTERN ALASKA GET THE MAXIMUM BENEFITS FROM THEIR PARTICIPATION IN THE CDQ PROGRAM**

- Work with CDQ groups to equitably allocate the multi-species quotas.
- Work with CDQ groups to maximize local opportunities arising from passage of the American Fisheries Act. Several large investments are expected and will involve extensive CDQ staff analysis and CDQ Team participation.
- Respond to specific recommendations of a National Academy of Sciences Report on the implementation of the CDQ Program.

**FACILITATE COORDINATED RESPONSES TO MAJOR ECONOMIC DISLOCATIONS AS THEY OCCUR**

- Participate in the development and maintenance of a computer-based database of the efforts and results of previous responses; a series of regional economic profiles; and an inventory of available response resources.

**ENSURE THAT THE LOCAL BOUNDARY COMMISSION HAS THE SUPPORT NEEDED TO OPERATE IN AN EFFECTIVE AND TIMELY MANNER**

- Provide feasibility and policy analysis as required.
- Review and investigate proposals.
- Prepare reports and recommendations.
- Implement decisions of the Commission.

**PROVIDE TECHNICAL ASSISTANCE TO MUNICIPALITIES AND OTHERS REGARDING LOCAL BOUNDARY COMMISSION MATTERS**

- Provide petition forms, sample petitions, other sample materials, and publications to aid those interested in prospective & pending proposals.
- Conduct public informational meetings.
- Offer technical and policy advice to interested organizations.

**PROVIDE COMPREHENSIVE AND ACCURATE INFORMATION FOR ALL ALASKA COMMUNITIES**

- Expand current community database/web site to include additional community data elements.
- Develop new "Alaskan Economic Information System" database/web site focusing on regional economies and industrial sectors.
- Develop new "Alaska Tourism Visitors Survey" database/web site.
- Support the Denali Commission by expanding the Rural Projects database and online Economic Development Resource Guide to meet the Commission's rural development needs.
- Provide technical and analytical support for the state's Western Alaska fisheries disaster response.

**IMPROVE THE DELIVERY AND COORDINATION OF STATE SERVICES TO ALASKA SMALL BUSINESSES**

- Simplify access for Alaska businesses to small business assistance and resources.
- Organize and deliver procurement opportunities conference.
- Increase coordination among state-funded small business programs.
- Provide advocacy and support for Alaska's existing businesses.

**ASSIST THE SEAFOOD INDUSTRY IN IDENTIFYING AND PURSUING OPPORTUNITIES**

- Monitor current trends and conditions in domestic and foreign markets.
- Assist in the research and development of value-added and niche markets.
- Provide timely and easily accessible information (business leads, reports, names of contacts, etc.) in a variety of formats (fax or email newsletters and updates, web site) about opportunities for Alaska products.

**SUPPORT CONTINUED EXPANSION OF THE MINERALS INDUSTRY**

- Participate in at least three minerals trade shows in North America to provide international mining companies with information about opportunities for exploration and investment in Alaska.
- Publish an annual report, containing details on all mineral industry activities within the state, and use it as a marketing tool to generate more interest in Alaska's mining industry.
- Provide staff support for the Alaska Minerals Commission and publish the commission's annual report, as required by statute, with recommendations on solving industry problems and improving conditions.
- Update and distribute timely information about mineral industry activities in Alaska.

#### SERVE AS THE PRIMARY AGENCY FOR AND COORDINATION OF THE STATE'S TOURISM PLANNING AND DEVELOPMENT EFFORTS

- Provide planning assistance to individuals, communities, organizations, and businesses interested in tourism development or management.
- Facilitate cooperative planning and land management processes statewide between state and federal land managers.
- Actively participate in other agency planning processes to ensure that tourism related issues are considered and addressed, and encourage coordinated planning by adjacent land management agencies.
- Be the lead agency for the coordination of the Public Lands Forum.
- Develop online (and hardcopy) guidelines for communities, organizations and business tourism development.
- Maintain a repository of state documents, books and other reference materials for tourism development.
- Compile and distribute visitor research.

#### PROMOTE COMMUNITY ECONOMIC DEVELOPMENT

- Provide technical support for community infrastructure development (or improvement) critical to economic development.
- Provide technical and financial support for community infrastructure critical to economic development and for small business startup.
- Provide information regarding potential funding sources (inclusive of grant and loan programs) for tourism development.

#### ASSIST COMMUNITIES STATEWIDE WITH THE PLANNING AND DEVELOPMENT OF PUBLIC TOURISM PROJECTS

- Coordinate with local, state, federal agencies and Native corporations regarding permitting of businesses on state and federal lands.
- Increase wildlife viewing opportunities on public lands, including South Denali and Wrangell National Parks.
- Coordinate the Alaska Public Lands Forum with other state and federal agencies as partners.

#### ASSIST COMMUNITIES WITH THE PLANNING AND DEVELOPMENT OF TOURISM-RELATED TRANSPORTATION

- Work with state and federal transportation agencies to review, analyze and evaluate potential and planned transportation and transportation enhancement projects that improve access and visitor opportunities in Alaska.
- Provide technical assistance to communities and state and federal transportation agencies regarding use of TEA-21 enhancement funds for tourism related projects, visitor centers and visitor information systems, rest stops, trails and other access enhancements.

#### DEVELOP TOUR PRODUCT AND TOUR SERVICES NECESSARY TO INCREASE ALASKA VISITATION ON A YEAR-ROUND BASIS

- Secure year-round, non-stop air service between Japan and Alaska, as well as with other potential markets such as the United Kingdom.
- Conduct consultations, face-to-face as well as via e-mail and phone, to assist individuals, companies and corporations with their efforts to develop (or enhance) Alaska tour product.
- Develop inventory of Alaska tour product; assist with packaging through tour operators/wholesalers (worldwide).
- Assist individuals, communities, organizations and businesses with showcasing special events and activities such as the Iditarod, Yukon Quest and skiing/snowmobile tours, by helping to develop complimentary tour product.
- Provide highway travelers with information about opportunities along the road system through the official state map and other materials.
- Continue staffing of and improvements to the Alaska Public Lands Information Center (APLIC) in Tok.

#### INCREASE RURAL AND CULTURAL TOUR PRODUCT



- Conduct rural tourism development workshops to provide technical assistance to individuals, communities, organizations and businesses to assist them in developing tour product, as well as understanding distribution systems for it.
- Develop the Alaska Cultural Tourism Trail, modules of cultural heritage or arts-related tour product for inclusion in tour operator/wholesaler programs.
- Coordinate the Governor's Conference on Cultural Tourism.

#### INCREASE BENEFITS FOR VISITORS COMING TO OR TRAVELING WITHIN THE STATE

- Contract with a qualified trade association for marketing services to increase awareness of Alaska as a visitor destination.
- With the qualified trade association, respond to visitor requests for adequate trip planning information.
- Maintain the Tok APLIC to provide statewide visitor information to visitors already in the state.

### **Key Component Issues for FY2001 – 2002**

Integration and Streamlining of Three Existing Divisions into One - In line with the recent consolidation and realignment of several state agencies, two divisions and elements of a third in the department were combined into one division, effective July 1, 2000. This consolidated division will provide a clearer focus for community and economic development in communities throughout Alaska and provides opportunities for new efficiencies in service delivery. This integration of purposes and programs represents significant challenges for management to maximize the opportunities created.

Functional Capacity of Many Local Governments Threatened - Many cities in Alaska are struggling to maintain basic services. This is especially true for some of the smaller municipalities that may have only several hundred residents and very limited tax bases. This situation threatens the state's investment in essential community facilities and poses a threat to the health and well being of Alaska's residents. The division is addressing this issue on a number of fronts:

- Significant decline in state financial assistance to communities - There are more than 40 smaller municipalities in Alaska that rely on state shared revenue for over 30% of their operating budget. Over the last 15 years, the state's two major revenue sharing programs have been cut by more than 85%. The division works closely with cities to maximize the effectiveness of these funds. Division staff have also been working with the Legislature to explore modified revenue sharing programs that could limit the impact of cuts on the most financially vulnerable cities.
- Lack of financial management and local government skills - The division works with city staff and elected officials to develop the skills they need to perform their responsibilities. The division helps cities establish and maintain sound financial practices, thereby preventing the loss of hundreds of thousands of dollars each year.
- Limited local tax base or economy - The division's Local Government Specialists work with cities to identify sources of local revenue and provide advice on how to most effectively use these limited resources.
- Frequent city staff turnover - Low wages, part-time work, no training, and lack of consistent policies and procedures are a few of the reasons for staff turnover. Staff turnover reduces efficiency, interrupts services, and leads to ineffective use of available revenues. The division addresses this issue with on-site and regional training and with advice and assistance to cities on essential policies and procedures.

Maintaining Sanitation Systems Essential to Rural Health - Adequate and affordable sanitation systems are critical for the health of rural residents and critical for the development of rural communities. State and federal sanitation task forces have concluded that capital investments alone will not achieve long-term improvements in sanitation. Many communities currently lack the resources and training to successfully operate and maintain their utilities. The division's Rural Utility Business Advisor (RUBA) program addresses this issue in four ways:

- Needs Assessments: Division staff complete an assessment of a community's management of its water and sewer utility. Corrective action is recommended and assistance is provided.
- Training: Staff provides on-site training specific to the utility management needs of a community and provides general regional training that benefits all the communities attending utility management workshops.
- Rates studies: Staff work with cities to set utility rates sufficient to cover operational costs as well as future operation and maintenance expenses.
- Financial management systems: Staff helps cities establish sound financial management systems and practices for the operation of water and sewer utilities.

Local Governments Struggle to Adapt to Changing Fiscal Conditions - Alaskans are considering various ways to make their local governments more efficient and effective to better suit local needs. Indicators of this situation include:

- Dissolution of City governments and a movement towards tribal governments is increasing. Many communities (particularly in the Yukon/Kuskokwim Delta) are choosing to recognize their tribal organizations as their local governments. This movement continues to raise a number of questions concerning the distribution of municipal property and the extent of tribal powers.
- City governments in seven western Alaskan communities have entered into or are contemplating agreements with tribal entities wherein the tribal entities assume responsibility for certain municipal services. This effort is done to save administrative costs, develop local staff capacity, and reduce staff turnover. The division's regional office staff advise and assist city governments and tribal entities in these matters.
- Division staff are processing two petitions to the Local Boundary Commission for consolidation of major city and borough governments; a third city/borough consolidation proposal is contemplated.

State Policies Concerning Local Government - There are a number of issues about state policy concerning local government in Alaska. Indicators of this situation include:

- A call by the Alaska Municipal League for a review of municipal government involving the state, the municipalities, and the public to determine if state policies are consistent with the intent of the Alaska Constitution mandating 'maximum local self-government with a minimum of local government units.'
- Support by the Alaska Municipal League for state policies that remove disincentives and encourage the formation and annexation to boroughs in the unorganized areas of the state and urge the legislature to take a more active role as the Assembly of the Unorganized Borough as mandated by the Constitution.
- Despite a recognized constitutional policy of encouraging borough incorporation, in the past forty years organized boroughs have formed voluntarily in regions encompassing only 4% of Alaskans. This is contrasted with boroughs formed under the 1963 Mandatory Borough Act in which 83% of Alaskans live. The remaining 13% of Alaskans live in the unorganized borough.
- Due in part to disincentives from certain state policies, the prospects for new borough incorporations under current law seem to be quite limited. Since 1990, only one borough has formed.

Need for Coordinated Agency Response to Community and Regional Assistance - The traditional model for community assistance, where agencies respond separately within their areas of expertise, has undergone considerable evolution as the state has lead efforts to respond to severe economic dislocations. To increase response effectiveness agencies at the state and federal level are taking steps to work cooperatively and coordinate the provision of services. From this may emerge a new approach to community assistance work, where the resources of several agencies are leveraged and/or coordinated to improve efficiency and quality in service delivery. A significant issue for this division will be to determine a programmatic role within this coordinated approach that is appropriate for our mission and achievable with available division resources.

Operation Renew Hope - In July the Governor declared a fisheries disaster for the Yukon River, Kuskokwim River and Norton Sound salmon fisheries. In response to this disaster, the Governor created Operation Renew Hope to pull together all the various state and federal programs that could respond to the short and long term disaster impacts under this organizational umbrella. The department's participation in this effort will result in substantial new responsibilities for division staff, particularly within the regional office structure.

Implementation of Federal Fisheries Programs Will Impact Alaskans - The implementation of the federal American Fisheries Act (AFA) has economic and market repercussions for all of Alaska's ground fisheries, coastal communities and Community Development Quota (CDQ) groups. Tracking and developing policy considerations to protect Alaska's fishing and processing interests has become a major focus for the State of Alaska, and, as such, involved the expertise of the Division's Fisheries Specialist. At the same time, many proposals to rationalize other fisheries are emerging, and for reasons similar to implementing the AFA, community and market concerns need to be integrated into the analysis and discussion.

Land Management Issues Affect Development - Public policy regarding the use of public and private lands can play a significant role in the success or failure of economic development initiatives. Examples include:

- Inconsistent management of public lands and tidelands in Southeast Alaska hinders commercial activities.
- Coordinated tourism planning efforts are hindered by a lack of information about commercial and private use of public lands.

Tourism Development in Rural Alaska - While offering great promise, tourism development in rural Alaska faces significant problems and will require development assistance sensitive to these issues. Rural communities lack the staff and resources necessary to prepare for and monitor tourism growth in their communities. They may also lack

basic information about the effects of tourism development, both positive and negative, that would allow community residents to make informed choices about development.

### **Major Component Accomplishments for FY2000**

**Community Development Quota (CDQ) Program No Longer Relies on General Fund.** Legislation was signed into law creating a CDQ fee and removing the CDQ program from all general fund support. Beginning July 1, 2000, CDQ groups began paying the department for the full amount of the administrative cost of overseeing the CDQ program. The department facilitated a working relationship with the groups to jointly create the formula where groups would pay a pro rated share of the fee, based primarily on individual quota allocations.

**CDQ Multi-Species Program Moves Forward.** The department, in conjunction with the Department of Fish & Game, conducted the first ever multi-species allocation hearing. All species including groundfish, halibut and crab were allocated among the six groups for the two-year CDQ allocation period of 2001 and 2002. The North Pacific Fishery Management Council passed a motion in support of the state's recommendation.

**Streamlining CDQ Process.** The department worked with the National Marine Fisheries Service and the CDQ groups to streamline the CDQ regulatory process. In recognition of the growing maturity of the CDQ groups, it is recognized that state and federal requirements need to be scaled back to create more flexibility for the groups concerning business decisions in the seafood industry.

**Successful Steps Towards Obtaining Organic Labeling for Alaska Seafood.** The Division's Seafood Development Specialist helped facilitate private certification of coho salmon and halibut for a processor in Cordova. The Governor and Senator Stevens weighed in to ensure that the USDA rulemaking process continues for organic labeling of seafood. A seafood specific survey of organic consumers was conducted.

**Targeted Additional Funds for Seafood Quality and Technology.** Staff worked with the Fisheries Industrial Technology Center in Kodiak to identify ten projects qualified for a special federal appropriation. These projects provide new opportunities for improving the quality and product mix of Alaska seafood.

**Promoted Value Added Processing of Alaska Salmon.** Division staff helped secure funding for a value-added salmon marketing grant. These funds were provided through a special congressional appropriation that will provide grants for direct marketing by fishermen and processors who have a market-accepted value-added salmon product. Staff also arranged for a USDA taste testing opportunity for salmon burgers which could lead to government purchases for the school lunch program.

**Assisted in Securing 'Sustainable Fishing' Label for Alaska Salmon.** The Marine Stewardship Council, which is a third party science-based organization, recently certified Alaska's salmon as sustainable. This ecology-friendly label is perceived to be a valuable marketing tool for domestic market and for exports to United Kingdom and Germany.

**Assisted Gulf Coastal Communities in Advancing a Community Trust Quota Proposal.** Under this novel concept, coastal communities would be able to purchase halibut and black cod quotas and hold them in a community trust for local fishermen.

**Transitioned the Division of Tourism to a section within the new Division.** Integrating the Division of Tourism functions into the new Division of Community and Business Development was a major element in creating a division that is responsive to the development and planning needs of Alaska communities, organizations, businesses and individuals.

**Tourism Section Leads Statewide Planning and Development Efforts.** Tourism planning positions take the lead on interagency coordination of land use planning issues and projects, relative to tourism use. Direct community and regional support includes workshops and consultations statewide. Examples of the section's efforts include:

- Conducted a review of the state's tourism marketing programs to ensure that state dollars are used most effectively and efficiently to promote Alaska.
- As part of a larger effort to promote consistent management of state and federal lands and waters in Southeast Alaska, a survey was prepared and conducted of all commercial guides, outfitters, transporters and remote lodge owners in Southeast Alaska.

- Assumed chairmanship of the Alaska Public Land Information Centers interagency committee providing state leadership for this state/federal partnership.
- Organized the initial meeting for SEATrails, an ad-hoc organization that promotes the concept of viewing Southeast Alaska's trails as a unified system linked by ferry and connected to community and business economic development opportunities.
- Assisted the Alaska Department of Transportation to design, set-up and conduct the Chitina Valley McCarthy Road Roundtables project, including editing of the initial Phase I report.
- Initiated joint meetings by the Forest Service, Alaska Department of Natural Resources, and Alaska Department of Fish and Game to identify ways to coordinate planning and land management of federal uplands and state tidelands in Southeast Alaska.
- Participated in a series of community meetings in five Southeast Alaska Communities to identify community issues related to the use of public lands for tourism purposes.
- Participated in the numerous state and federal land planning processes to ensure that issues, concerns and development objectives of businesses and nearby communities are addressed.
- Provided technical assistance to the communities of Thorne Bay, Haines, Petersburg and Hoonah for tourism planning, product development, marketing, community and infrastructure planning.
- In the spring of 2000, held rural tourism workshops in Wrangell, Glenallen, and Bettles. Additional workshops for the winter of 2000/2001 are planned for Petersburg, Nome and Haines, Bethel to provide training in community planning, business and product development and marketing.

Initiated the Alaska Visitor Statistics Program. This research is designed to provide comprehensive economic and opinion information on travel and tourism by visitors to Alaska. To ensure that the information meets the needs of communities and agencies that manage the resources on which tourism depends, the division created and led a steering committee of tourism representatives, communities and state and federal natural resources agencies to revise this year's survey.

Community Tourism Development Handbook. The state's Community Development Handbook designed to assist communities with their tourism planning and development efforts was rewritten, distributed, and also made available on the Web.

Mining Industry and Commission Reports. Mineral development specialists completed the legislatively required annual report of the Alaska Minerals Commission, and the annual report compiling facts and figures about Alaska's mineral industry.

Promotion of Alaska's Mineral Potential. Promotion continued at trade shows in the financial centers of North America and through business and trade magazine articles and interviews. The mining specialists are participating in the permitting of two potential mines (True North and Pogo), and are providing a mining business perspective in interagency planning teams.

Assisted in Securing Funding for Critical Geologic Mapping of Alaska's Mineral Resources. The division's minerals development specialists worked with other agencies to secure funds for geologic mapping, airborne geophysical surveys, and baseline water quality surveys. This information is essential to attracting exploration activity.

New Mineral Company to Invest Exploration and Development Dollars in Alaska. Despite low gold prices the division successfully attracted new mineral exploration to Alaska. Alaska is seen to have a favorable mineral investment climate because of incentives, stable government and geologic pedigree, when compared with other countries.

Contractor Conferences Identified Opportunities. Division staff facilitated conferences to identify opportunities for construction contractors, including information about what to expect in the contracting year. These conferences followed successful procurement conferences that provided Alaska businesses information about how to do business with state agencies.

Active Year for Local Boundary Commission. Petitions were processed or are pending for annexation to city governments in Ketchikan, Palmer, Aleknagik, and Homer. Proposals for incorporation of city governments in Adak and Talkeetna were processed or are under consideration. Two petitions for consolidation of local governments are underway. The first involves the City of Fairbanks and the Fairbanks North Star Borough. The second concerns the City of Ketchikan and the Ketchikan Gateway Borough. Lastly, a comprehensive revision of Local Boundary Commission regulations is underway.

Rural Utility Business Advisor Program. Conducted a survey of the financial and management practices of 168 rural sanitation systems to identify issues that the program should address in its training efforts. The survey included the majority of utilities operating in rural Alaska.

Improved Local Capacity for Financial Management. Significant improvements in the financial and management abilities of rural communities to operate, manage and finance services were observed in Shishmaref, Tanana, Chalkyitsik, Deering, Goodnews Bay, Hooper Bay, Kwethluk, Nunapitchuk, and Shaktoolik. These communities have been receiving direct assistance from the Division's Rural Utility Business Advisor Program. There are many aspects to improving a community's management and finance. These communities appear to be taking advantage of the resources provided through RUBA and other programs.

Upgraded Accounting Systems. In six communities, the division used private contractors to update financial accounting software and conduct training on the use of the accounting programs. These upgrades have provided an opportunity for the communities to produce accurate and timely financial reports in much less time and effort than their former manual accounting systems. Shishmaref, Alakanuk, Selawik, Kaltag, Chalkyitsik and Chevak have received this service.

Alakanuk Housing Relocated to Safety. The RUBA program facilitated the coordination of numerous state and federal agencies and local entities to relocate 22 houses from eroding riverbanks to a safe location provided with piped water and sewer. This year the houses have been placed on the prepared lots and are currently being connected to the city's utility system.

Land Claims Settled and Community Development Encouraged. Staff assisted the communities of Levelock, Circle, Georgetown and Port Lions with the settlement and surveying of local land claims. Staff also provided communities, agencies, contractors and the public with site control assistance and community mapping for sanitation facility planning, community infrastructure development and emergency and disaster response.

Land Made Available for Water, Sewer and other Community Projects. Real property acquisition was completed and long term leases of municipal trust land were issued for sanitation facilities and other community infrastructure. Types of projects include a water treatment and storage facility in Nelson Lagoon, new landfills in Chenega and Circle, a post office in Perryville, housing and a community hall in Pedro Bay, and a tele-medicine facility in Kokhanok.

Public/Private Partnership Ventures Produce Community Maps. Division staff worked successfully to coordinate efforts with agencies and rural groups to produce standardized community profile maps for the public. Federally funded partnerships have been underway this year with the Interior Rivers Resource Conservation and Development Council, the Northwest Arctic Borough and the state's Village Safe Water Program.

Federal Block Grant Programs. Implemented a new Community Services Block Grant (CSBG) Program state plan without delay in receipt of funds. Successfully implemented new Federal reporting requirements for CSBG Program. Successfully distributed over \$3 million in Community Development Block Grant (CDBG) funds to 20 rural communities.

Inter-Agency Mini-Grant Program Gains Major Funding Partner. Received Denali Commission funding to compliment U.S. Forest Service Mini-Grant funds bringing the total available in grants to over \$600,000. Received and reviewed 100 Mini-Grant Applications. This year, this multi-agency partnership will fund approximately 20-30 new economic and community development projects.

Annual Clerks' Institute. Division staff worked with the Alaska Association of Municipal Clerks (AAMC) and their Institute director to provide training for a 4 1/2 day Institute. Approximately 80 clerks attended. The Institute helps municipal clerks satisfy the requirements of the International Institute of Municipal Clerks who offer internationally recognized certification as a municipal clerk.

Regional Funding Forum Held. Division staff helped the Copper Valley region hold their first funding summit. USDA Rural Development and the Denali Commission also participated in the event. Funding issues and opportunities for community infrastructure and regional economic development were highlighted. Similar funding forums were also held in Bethel, Nome, Kodiak and Juneau.

Alaska Regional Development Organization (ARDOR) Program Activity. The Fairbanks North Star Borough was designated as the fourteenth ARDOR in the state. Division staff awarded and managed \$630,000 in grant funds, and organized 4 regional development organization workshops. The Anchorage ARDOR used their funding to support the BuyAlaska Program and negotiate an agreement with the Mat-Su Borough to conduct joint marketing and action on transportation and tourism development. The Arctic ARDOR, utilizing the North Slope Borough's Revolving Loan Fund, assisted three new small business start-ups. The Kenai ARDOR used their funds to complete a new Kenai Peninsula Borough industrial prospectus and provide business consultation and training to over 200 clients.

Alaska Coastal Management Program Grants. Program staff awarded and managed more than \$1 million in grant funds. The Aleutians East Borough used their funding to address conflicts between subsistence and sport hunting and fishing around Nelson Lagoon. Anchorage prepared its new comprehensive plan, including updated information on development opportunities. Kenai Peninsula Borough developed information on public access to the Kenai River.

Subsistence Restoration Grant Program. Staff administered these Exxon Valdez oil spill-related funds to help four communities enhance and manage salmon returns. Seven grants were used to enhance cultural and subsistence awareness and skills. Three grants supported oyster projects in two communities.

Commissioned and oversaw production of a 'Survey of International Market Opportunities for Alaska Softwood Producers.' The survey focused on new opportunities for Alaska value-added forest products and serves as a guide to potential foreign markets. Funding for the 100 page report resulted from division's membership in the Softwood Export Council with assistance from the USDA Foreign Market Assistance program. The Division leveraged \$5,000 in state funds to pay for the \$44,000 report. 200 hard copies were distributed across the state and the report is available on the DCED web site.

National Flood Insurance Program (NFIP). The NFIP funded a comprehensive flood and erosion mitigation plan for Galena. Efforts to restore the historic Don Sheldon Hangar Building in Talkeetna, for use as a community theater, were initiated. Eight new High Water Markers were placed in a new Aniak subdivision to ensure that buildings are elevated, thereby lowering insurance costs and potential flood damage. The Port Graham School Multipurpose Building and propane tank farm were protected against imminent coastal flood and erosion loss.

### **Statutory and Regulatory Authority**

AS 29.04-06- Classification, Alteration of Municipalities;  
AS 39.05.060 - Appointment, Qualification and Terms of Local Boundary Commission  
AS 44.33.810 - AS 44.33.828 Local Boundary Commission  
3 AAC 110.010 - 110.900 - Local Boundary Commission Standards and General Provisions  
AS 44.47.150 - Village land conveyed into trust.  
19 AAC 90.010 - 19 AAC 90.990 - Municipal Trust Land  
AS 44.33.781 - Alaska Coastal Management Program  
AS 44.33.026 - AS 44.33.895 Alaska Regional Development Organizations Program:  
AS 44.33.755 - Municipal Lands Trust  
AS 44.33.115 - Subsistence Grants:  
AS 44.33.020 - Block Grants  
AS 44.33.020 - National Flood Insurance Program  
AS 36.30.332-338 - Alaska Product Preference  
AS 44.33 - Economic Development  
AS 44.33.119 - Division of Tourism  
AS 44.33.431 - Alaska Minerals Commission  
AS 44.33.900 - Alaska Forest Products Research and Marketing Program  
AS 44.99.100 - Economic Development Policy  
AS 45.65.010-070 - Made in Alaska Program  
5 AAC 39.198 - Internal Waters Permits

## Key Performance Measures for FY2002

### **Measure: The number of communities successfully managing new sewer and water systems.**

*(Developed jointly with Legislature in FY2001.)*

#### **Current Status:**

Completed or virtually completed systems amount to 97 rural systems since efforts began to build such systems. No data was provided that identified how many of these were completed in FY 00.

26 communities are not considered to be successful. These communities have been identified as chronic violators of environmental regulations related to the operation of water and wastewater systems.

#### **Benchmark:**

Not applicable.

#### **Background and Strategies:**

Time frame for measurement is FY 00

New water and sewer systems - defined as a sanitation project completed. The project as envisioned in the original project design has been achieved and the project substantially adds customers or upgrades facilities. It would exclude refurbishment or replacement of existing systems. Source of data: Alaska Native Tribal Health Consortium, DEC's Facility Construction and Operation Division

Successfully manages - defined as operating without major interruption of service and without substantial violations of water quality, waste discharge and environmental regulations. Source of data: Substantial Noncompliance List in DEC, community data.

### **Measure: The number of Alaskans employed year-round in the visitor industry.**

*(Developed jointly with Legislature in FY2001.)*

#### **Current Status:**

Data will be available in Fall 2001.

#### **Benchmark:**

Not applicable.

#### **Background and Strategies:**

Data is being gathered through the Alaska Visitors Statistics Program administered by the Division of Community and Business Development. Tourism industry employment data is not easily discernable through the Standard Industrial Classification (SIC) system utilized by the Department of Labor and Workforce Development.

### **Measure: The number of CDQ-related (community development quota related) jobs in Western Alaska**

*(Developed jointly with Legislature in FY2001.)*

#### **Current Status:**

There were 1348 CDQ related jobs created in 1999. These jobs included positions on offshore factory trawlers, onshore processing plants, CDQ halibut plants & halibut fisheries, and various management positions within the six CDQ groups.

#### **Benchmark:**

Not applicable.

#### **Background and Strategies:**

The data for this Measure was taken from the 1999 CDQ Quarterly Reports.

**Measure: The number of communities that are insolvent.**

*(Developed jointly with Legislature in FY2001.)*

**Current Status:**

There are a total of 47 municipalities that are insolvent as of 11/02/00.

**Benchmark:**

Not applicable.

**Background and Strategies:**

Insolvent is defined as "a community that is unable to pay its debts as they fall due in the usual course of business."

**Measure: How much, expressed as a percentage, local governments rely on revenue sharing in their general operating budgets.**

*(Developed jointly with Legislature in FY2001.)*

**Current Status:**

The average percentage calculated is 10.2%. There were 161 local governments with a range from 71.29% to .27%.

**Benchmark:**

Not applicable.

**Background and Strategies:**

The percentages were calculated by Bill Rolfzen, DCED/DCBD. A listing of the governments and the percentages and figures used in the calculations is available upon request.

**Measure: The number of coordinated regional efforts resulting in the creation of new business opportunities.**

*(Developed jointly with Legislature in FY2001.)*

**Current Status:**

There are 31 coordinated regional efforts resulting in creation of new business opportunities.

**Benchmark:**

Not applicable.

**Background and Strategies:**

The legislature intends to measure the success of the ARDOR program in achieving its mission by considering this Performance Measure. The information in this Performance Measure was taken from the ARDOR grant applications.

**Measure: The percentage of goals identified through regional processes that are achieved.**

*(Developed jointly with Legislature in FY2001.)*

**Current Status:**

The percentage of goals identified through regional processes that are achieved is an average of 53%.

**Benchmark:**

Not applicable.

**Background and Strategies:**

The legislature intends to measure the success of the ARDOR program in achieving its mission by considering this Performance Measure. The information in this Performance Measure was taken from the ARDOR grant applications. The goals used in the calculation are the grantees' goals.



**Measure: The amount of nonstate funds leveraged by ARDOR grants.***(Developed jointly with Legislature in FY2001.)***Current Status:**

The amount of nonstate funds leveraged by the ARDOR grants is \$3,333,264.

**Benchmark:**

Not applicable.

**Background and Strategies:**

The legislature intends to measure the success of the ARDOR program in achieving its mission by considering this Performance Measure. The information in this Performance Measure was taken from the ARDOR FY02 grant applications.

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i>                                    | <i>Too soon<br/>to tell</i> | <i>Not likely<br/>to achieve</i> | <i>Needs<br/>modification</i> |
|---|-----------------|--|-----------------------------|----------------------------------|-------------------------------|
| <ul style="list-style-type: none"> <li>• The number of communities successfully managing new sewer and water systems.</li> <li>• The number of Alaskans employed year-round in the visitor industry.</li> <li>• The number of CDQ-related (community development quota related) jobs in Western Alaska.</li> <li>• The number of communities that are insolvent.</li> <li>• How much, expressed as a percentage, local governments rely on revenue sharing in their general operating budgets.</li> <li>• The number of coordinated regional efforts resulting in the creation of new business opportunities.</li> <li>• The percentage of goals identified through regional processes that are achieved.</li> <li>• The amount of nonstate funds leveraged by ARDOR grants.</li> </ul> |                 | X<br><br><br>X<br><br>X<br><br>X<br><br>X<br><br>X | X                           |                                  |                               |

## Community and Business Development

## Component Financial Summary

All dollars in thousands

|   | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|---|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>               |                |                   |                 |
| <b>Component Expenditures:</b>            |                |                   |                 |
| 71000 Personal Services                   | 0.0            | 4,509.7           | 4,572.8         |
| 72000 Travel                              | 0.0            | 358.7             | 358.7           |
| 73000 Contractual                         | 0.0            | 1,972.1           | 1,664.7         |
| 74000 Supplies                            | 0.0            | 76.6              | 76.6            |
| 75000 Equipment                           | 0.0            | 7.5               | 7.5             |
| 76000 Land/Buildings                      | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                      | 0.0            | 2,234.6           | 2,149.6         |
| 78000 Miscellaneous                       | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                 | <b>0.0</b>     | <b>9,159.2</b>    | <b>8,829.9</b>  |
| <b>Funding Sources:</b>                   |                |                   |                 |
| 1002 Federal Receipts                     | 0.0            | 1,161.0           | 1,372.7         |
| 1003 General Fund Match                   | 0.0            | 608.2             | 708.0           |
| 1004 General Fund Receipts                | 0.0            | 3,543.2           | 3,740.2         |
| 1005 General Fund/Program Receipts        | 0.0            | 20.0              | 75.3            |
| 1007 Inter-Agency Receipts                | 0.0            | 3,010.8           | 2,260.1         |
| 1051 Rural Development Initiative Fund    | 0.0            | 99.8              | 0.0             |
| 1053 Investment Loss Trust Fund           | 0.0            | 63.6              | 0.0             |
| 1061 Capital Improvement Project Receipts | 0.0            | 302.6             | 307.9           |
| 1111 Fishermans Fund Income               | 0.0            | 100.0             | 115.0           |
| 1156 Receipt Supported Services           | 0.0            | 250.0             | 250.7           |
| <b>Funding Totals</b>                     | <b>0.0</b>     | <b>9,159.2</b>    | <b>8,829.9</b>  |

## Estimated Revenue Collections

| Description                          | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|--------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>         |                        |                |                   |                      |                 |                 |
| None.                                |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>            |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>           |                        |                |                   |                      |                 |                 |
| Federal Receipts                     | 51010                  | 0.0            | 1,161.0           | 1,161.0              | 1,372.7         | 1,372.7         |
| Interagency Receipts                 | 51015                  | 0.0            | 3,010.8           | 3,010.8              | 2,260.1         | 2,260.1         |
| General Fund Program Receipts        | 51060                  | 0.0            | 20.0              | 20.0                 | 75.3            | 75.3            |
| Receipt Supported Services           | 51073                  | 0.0            | 250.0             | 250.0                | 250.7           | 250.7           |
| Capital Improvement Project Receipts | 51200                  | 0.0            | 302.6             | 302.6                | 307.9           | 307.9           |
| Rural Development Initiative Fund    | 51387                  | 0.0            | 99.8              | 99.8                 | 0.0             | 0.0             |
| Investment Loss Trust Fund           | 51393                  | 0.0            | 63.6              | 63.6                 | 0.0             | 0.0             |
| Fishermans Fund Income               | 51420                  | 0.0            | 100.0             | 100.0                | 115.0           | 115.0           |

| Description              | Master<br>Revenue<br>Account | FY2000<br>Actuals | FY2001<br>Authorized | FY2001<br>Cash<br>Estimate | FY2002<br>Governor | FY2003<br>Forecast |
|--------------------------|------------------------------|-------------------|----------------------|----------------------------|--------------------|--------------------|
| Restricted Total         |                              | 0.0               | 5,007.8              | 5,007.8                    | 4,381.7            | 4,381.7            |
| Total Estimated Revenues |                              | 0.0               | 5,007.8              | 5,007.8                    | 4,381.7            | 4,381.7            |

## Community and Business Development

### Proposed Changes in Levels of Service for FY2002

- Regional Office Staff Funding Source Change from RDIF to GF -- AIDEA will no longer provide the formerly titled Rural Development Initiative Fund (RDIF) financial support to CBD for the 2002 budget year because the program is inactive. The monies funded 2 CBD rural positions (Bethel & Nome) who provided technical assistance on the RDIF but also performed numerous other functions. AIDEA has created a new program and the Division of Investments will generate and service the new loans. To maintain the level of service provided by the regional offices, general funds are sought to replace RDIF funds.
- EDA General Fund Match Increment --The division annually receives a grant from the U.S. Economic Development Administration to conduct Economic Development planning and implementation at the state level. The grant generally requires a 1:1 match. The match has traditionally been requested in the capital budget but was not funded the last 2 years in part because of criticism that it should be in the operating budget where the EDA grant federal receipts authorization is located. As a result, a general fund match increment is requested this year in the operating budget.
- Increased General Fund Program Receipts - Additional authorization is requested to receive and expend general fund program receipts from the Made in Alaska permits and miscellaneous receipts such as the sale of publications and advertising, and conference registration fees.
- Additional Federal Funding from the U.S. Dept. of Agriculture, the Denali Commission and the U.S. Forest Service. These grants will be for block grants to communities through-out the state for economic development and community assistance.
- Delete duplicate ARDOR funding -- Ch. 43 SLA 00 extended the Alaska Regional Development Organizations (ARDOR) program. When the fiscal note was approved, it inadvertently duplicated the existing funding authorization. A decrement removes the duplicate authorization.

### Summary of Component Budget Changes

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>  | <b>4,235.0</b>       | <b>1,161.0</b>       | <b>3,763.2</b>     | <b>9,159.2</b>     |
| <b>Adjustments which get you to start of year:</b>                |                      |                      |                    |                    |
| -Update Executive Administration and Support Cost Allocation Plan | 13.3                 | 3.5                  | 7.2                | 24.0               |
| <b>Adjustments which will continue current level of service:</b>  |                      |                      |                    |                    |
| -Fund Source Reallocation from RDIF to GF                         | 99.8                 | 0.0                  | -99.8              | 0.0                |
| -Year 2 Labor Costs - Net Change from Fy 2001                     | 20.4                 | 8.2                  | 8.6                | 37.2               |
| <b>Proposed budget decreases:</b>                                 |                      |                      |                    |                    |
| -SLA 00 Ch 43 ARDOR Duplicate Authorization                       | 0.0                  | 0.0                  | -650.0             | -650.0             |
| -Reduce Unneeded IA   | 0.0                  | 0.0                  | -110.5             | -110.5             |
| <b>Proposed budget increases:</b>                                 |                      |                      |                    |                    |
| -EDA Planning Grant   | 100.0                | 0.0                  | 0.0                | 100.0              |
| -Made in Alaska and other misc GF/PR Increase                     | 35.0                 | 0.0                  | 0.0                | 35.0               |
| -Increase for Additional Federal                                  | 0.0                  | 200.0                | 0.0                | 200.0              |

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| Grants -USDA, Denali Commiss. &<br>USFS  |                      |                      |                    |                    |
| -Official State Highway Map<br>Increment | 20.0                 | 0.0                  | 0.0                | 20.0               |
| -Alaska Marine Safety Education<br>Assn  | 0.0                  | 0.0                  | 15.0               | 15.0               |
| <b>FY2002 Governor</b>                   | <b>4,523.5</b>       | <b>1,372.7</b>       | <b>2,933.7</b>     | <b>8,829.9</b>     |

## Community and Business Development

## Personal Services Information

| Authorized Positions |                      |                    | Personal Services Costs          |                  |
|----------------------|----------------------|--------------------|----------------------------------|------------------|
|                      | FY2001<br>Authorized | FY2002<br>Governor |                                  |                  |
| Full-time            | 68                   | 68                 | Annual Salaries                  | 3,677,373        |
| Part-time            | 3                    | 3                  | COLA                             | 54,462           |
| Nonpermanent         | 1                    | 1                  | Premium Pay                      | 0                |
|                      |                      |                    | Annual Benefits                  | 1,183,163        |
|                      |                      |                    | <i>Less 6.96% Vacancy Factor</i> | (342,198)        |
|                      |                      |                    | Lump Sum Premium Pay             | 0                |
| <b>Totals</b>        | <b>72</b>            | <b>72</b>          | <b>Total Personal Services</b>   | <b>4,572,800</b> |

## Position Classification Summary

| Job Class Title              | Anchorage | Fairbanks | Juneau    | Others    | Total     |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Administrative Assistant     | 1         | 0         | 1         | 1         | 3         |
| Administrative Clerk I       | 0         | 0         | 0         | 3         | 3         |
| Administrative Clerk II      | 1         | 0         | 2         | 0         | 3         |
| Administrative Clerk III     | 1         | 1         | 2         | 1         | 5         |
| Administrative Manager III   | 1         | 0         | 0         | 0         | 1         |
| Cartographer II              | 1         | 0         | 0         | 0         | 1         |
| CDQ Manager                  | 0         | 0         | 1         | 0         | 1         |
| CDQ Specialist               | 0         | 0         | 1         | 0         | 1         |
| Deputy Director              | 0         | 0         | 1         | 0         | 1         |
| Dev Spec I, Option A         | 0         | 0         | 0         | 2         | 2         |
| Dev Spec II, Option A        | 0         | 0         | 1         | 0         | 1         |
| Dev Spec II, Option B        | 0         | 1         | 2         | 0         | 3         |
| Division Director            | 1         | 0         | 0         | 0         | 1         |
| Economist II                 | 0         | 0         | 1         | 0         | 1         |
| Grants Administrator I       | 0         | 0         | 1         | 0         | 1         |
| Grants Administrator II      | 0         | 1         | 3         | 0         | 4         |
| Grants Administrator III     | 0         | 0         | 1         | 0         | 1         |
| Local Govt Spec III          | 5         | 1         | 1         | 7         | 14        |
| Local Govt Spec IV           | 2         | 0         | 1         | 0         | 3         |
| Local Govt Spec V            | 4         | 1         | 1         | 0         | 6         |
| Natural Resource Off II      | 1         | 0         | 0         | 0         | 1         |
| Planner III                  | 2         | 0         | 3         | 0         | 5         |
| Prog Coordinator             | 0         | 1         | 0         | 0         | 1         |
| Project Asst                 | 0         | 0         | 1         | 0         | 1         |
| Publications Tech I          | 1         | 0         | 0         | 0         | 1         |
| Publications Tech II         | 1         | 0         | 0         | 0         | 1         |
| Research Analyst III         | 1         | 0         | 1         | 0         | 2         |
| Research Analyst IV          | 0         | 0         | 1         | 0         | 1         |
| Small Business Specialist II | 1         | 0         | 0         | 0         | 1         |
| State Assessor               | 1         | 0         | 0         | 0         | 1         |
| Sustainable Development Spec | 1         | 0         | 0         | 0         | 1         |
| <b>Totals</b>                | <b>26</b> | <b>6</b>  | <b>26</b> | <b>14</b> | <b>72</b> |

## **Component: International Trade and Market Development**

**Contact: Greg Wolf, Director**

**Tel:** (907) 269-8115 **Fax:** (907) 269-8125 **E-mail:** greg\_wolf@dced.state.ak.us

### **Component Mission**

To increase international trade and investment in Alaska.

### **Component Services Provided**

**Assist Alaska Companies Sell Their Goods and Services Overseas.** Exports bring new money into the state's economy and create stable, high paying jobs for Alaskans. The division works with the private sector in the following ways:

- **Connecting Buyers and Sellers** - experienced trade specialists in Alaska and state trade representatives abroad locate overseas buyers and help overseas buyers connect with Alaskan suppliers.
- **Overseas Representation**-the division maintains active trade representation in Tokyo, Japan; Seoul, Korea; Taipei, Taiwan; and Yuzhno-Sakhalinsk, Sakhalin.
- **Trade Missions, Outbound and Inbound**--ITMD leads business missions to and from targeted markets and arranges seminars, presentations and one-on-one meetings with potential customers.
- **Trade Shows**--the division promotes Alaska products and services at major trade and catalog shows, and assists Alaska companies to follow up on leads generated by trade show participation.

**Provide Information** The division obtains and disseminates timely, useful economic information and market intelligence on overseas markets important to Alaska businesses with:

- **Web Site**--information on Alaska's top export markets is continually updated and posted on the division's web site. A variety of division publications are accessible by visitors to the site. In addition, the site provides linkages to public and private sector trade organizations.
- **Newsletters**--the division produces and distributes a regular series of reports that provide information and analysis on trade opportunities, market conditions, currency and commodity price movements and other developments with potential impact on Alaska exports.
- **Trade Seminars**--ITMD presents seminars designed to help Alaska firms gain the information and technical expertise necessary to conduct international business and more effectively compete in the global marketplace.
- **Customized Reports**--In response to requests from the private sector, the division prepares customized reports on specific market opportunities.

**Advance Government-to-Government Relations** The division works with the U.S. and foreign governments to open doors and eliminate trade barriers by:

- **Opening Doors**--In Alaska's major export markets, an introduction by government can play an important role in fostering successful business relationships.
- **Advocating for Alaskans**--ITMD acts as a liaison and advocate in foreign markets, finds information on policies and procedures, and works to resolve difficulties that can arise when doing business in an unfamiliar environment.
- **Investment Promotion**--The division promotes investment in Alaska development projects through government-to-government contacts as well as contacts with private sector companies.
- **Multiplying Opportunities**--In order to better serve the state's trade community, the division is co-located with the U.S. Department of Commerce, Alaska Export Assistance Center, bringing Alaskans the resources of both state and federal governments. ITMD also works closely with private trade organizations such as World Trade Center Alaska and the Export Council of Alaska, and industry organizations such as the Alaska Seafood Marketing Institute and the Resource Development Council.

**Recruit Business and Investment to Alaska** Growth and diversification of the economy creates expanded job opportunities for Alaskans. The division promotes Alaska as a location for companies seeking to relocate or expand by:

- **Spreading the Word**--The division produces and distributes brochures and pamphlets highlighting Alaska's unique advantages and attributes as a business location.

- Outreach-Through participation at trade shows and advertisements in industry journals, the division works to generate interest in Alaska by companies from targeted sectors.
- Providing Answers-In response to information requests by companies, the division tailors customized reports designed to assist companies evaluate Alaska's strategic location.
- Finding Partners-The division assists Alaska entrepreneurs and firms to identify potential investors for development projects.

Promote Alaska as a Location for Film Projects The filming of major motion pictures, television programs, advertisements, documentaries and catalog shoots are projects that bring significant dollars into the Alaska economy. The division promotes Alaska in the following ways:

- Web Presence-Individuals or companies seeking information on carrying out film projects in Alaska receive information and direct links to Alaska film-related companies via the division's web site.
- Outreach-The division participates in major film industry trade shows and places advertisements in leading trade journals to generate interest in Alaska as a location for film projects.
- Answering the Call-In response to direct inquiries, the division provides information and assistance to companies seeking to film in Alaska.

## Component Goals and Strategies

Increase the Number of Alaska Firms that Export Services and Products

- Provide market intelligence and export information to export-ready Alaska companies.
- Assist smaller and new-to-export firms to "test the waters" overseas through relatively inexpensive means such as Alaska Products Catalogs distributed to trade groups, and shared Alaska booths at targeted trade shows.
- With private sector interest and support, organize and conduct trade missions matching industries with potential markets to expand sales in current markets and develop new markets.

Increase the Dollar Value of Exports from the State

- Provide information and assistance to help Alaska companies initiate or expand export business activities.
- Research potential niche-market opportunities for value-added Alaska products. Identify potential buyers in promising markets, and introduce them to Alaska suppliers.
- Keep Alaskans informed about key markets through periodic newsletters and special reports.

Increase the Number of Trade Leads in International Trade and Development

- Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a potential source for products and services, and a good place to do business.
- Educate potential customers overseas about what Alaska has to offer, through efforts of overseas trade representatives in Japan, Korea, Taiwan and the Russian Far East.
- Organize and conduct trade missions, both inbound and outbound, to introduce buyers in key markets to Alaska sellers.

Promote Exports to Alaska's Key Markets - Japan, Korea, Canada, China, Taiwan, and the Russian Far East

- Focus on Alaska's key markets by contracting for trade representation in Tokyo, Seoul, Taipei and Sakhalin. Overseas trade representatives maintain contacts with key officials in private sector and government, promote Alaska products and services, and provide timely, useful market information to Alaskans.
- Utilize overseas trade representatives to extend the effectiveness of Alaska companies overseas - provide market research on specific goods and services, and assist Alaskans to make contact with buyers.
- In Alaska's No. 1 export market, Japan,
  - Promote Alaska goods and services through trade show presence: Tokyo International Gift Show and other trade shows, and Japanese-language web presence.
  - Provide market information to Alaska's public and private sector: energy market reports, seafood wholesale price reports and market information, and market information on fresh and live seafood in connection with air cargo promotion.
  - Assist Alaska business and industry by organizing trade missions, both inbound and outbound, including Governor-led mission, and assist individual companies with appointments in Japan as requested.
  - Increase Alaska's presence in Osaka and regional markets.
- In Korea,



- Promote Alaska goods and services through trade show presence: ASOK Show and other trade shows, and Korean-language web presence.
- Provide market information to Alaska's public and private sector: energy market reports, seafood wholesale price reports and market information.
- Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with appointments in Korea as requested.
- Promote Alaska seafood and other foods in niche market of international-class hotels.
- In Canada,
  - Promote Alaska exports by encouraging backhaul trade, trade missions, and providing market information.
  - Enhance existing areas of cooperation in trade, tourism, transportation, resource development, arctic issues, and other common concerns.
  - Promote Alaska's mining sector by encouraging Canadian mining companies to utilize Alaska's mineral resources as well as Alaska's strategic position as a gateway to the Russian Far East.
- In China,
  - Establish trade representation for the State of Alaska.
  - Assist Alaska businesses by organizing the first trade mission to China in fifteen years. Raise the profile of Alaska goods and services through this Governor-led mission.
  - Assist Alaska business and industry by coordinating inbound missions, introducing buyers to sellers, and producing special reports.
- In Taiwan,
  - Promote Alaska goods and services through trade show presence: American Food Festival, other trade shows, catalog shows, and Chinese-language web presence.
  - Provide market information to Alaska's public and private sector: energy market, technical services, agriculture and general market information
  - Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with contacts and appointments in Taiwan as requested.
  - Promote Alaska agricultural produce in niche markets.
- In Russia,
  - Promote Alaska goods and services in oil and gas project developments on Sakhalin Island, focusing on oil field services, environmental services and related resource development service and supply sector.
  - Assist Alaska industry by working with public and private sector in Sakhalin to improve business conditions there. Manage USAID-funded Alaska-Sakhalin projects creating an AIDEA-model development bank, performing a workforce assessment /development program for resource development projects, and providing technical assistance to develop an environmental regulatory regime.
  - Assist Alaska businesses and organizations by organizing trade missions and working with Magadan, Chukotka and Kamchatka governments and businesses in oil and gas, mining, tourism and other promising sectors.
  - Bolster Alaska's role as exclusive US gateway to the Russian Far East by working to maintain and expand Alaska's air routes to the Russian Far East.

#### Foster Economic Growth and Diversification by Promoting Alaska as a Location for Relocation, Expansion, and Investment

- Commission national survey of corporate executives to ascertain their knowledge of Alaska's attributes for business and investment.
- Develop and distribute new marketing materials specifically designed to stimulate interest by companies in relocating or expanding their business operations to Alaska. These will include a brochure highlighting Alaska's attributes and advantages for information technology and other technology-based businesses.
- Provide tailored responses to companies seeking site selection information about Alaska.
- Market Alaska to companies through representation at one or more major trade shows.
- Coordinate with local economic development organizations to leverage resources and effectively respond to inquiries.

#### Increase the number of film, video, television and locations shoots produced in Alaska

- Provide assistance and respond to direct inquiries regarding locations, local film industry, and permitting for filming in Alaska.
- Advertise in trade journals to promote Alaska as a film destination.
- Update promotional video to provide a visual references about Alaska's locations.
- Maintain Internet website with current information regarding Alaska's film industry and film resources.

- Update film manual to provide current, detailed information on Alaska's film industry.

Provide Meaningful and High-Quality Assistance to Private and Public Sectors to Benefit Alaska's Economy

- Ensure that information on Alaska's export economy is accessible through a variety of mediums including the Internet, special reports, newsletters and trade seminars.
- On a regular basis, survey users of the division's services and programs to measure satisfaction and results.
- Maintain contact with companies and associations to continually assess needs of Alaska's industry.

Foster Economic Growth and Diversification by Promoting Alaska as a Location for Relocation, Expansion, and Investment

- Commission national survey of corporate executives to ascertain their knowledge of Alaska's attributes for business and investment.
- Develop and distribute new marketing materials specifically designed to stimulate interest by companies in relocating or expanding their business operations to Alaska. These will include a brochure highlighting Alaska's attributes and advantages for information technology and other technology-based businesses.
- Provide tailored responses to companies seeking site selection information about Alaska.
- Market Alaska to companies through representation at one or more major trade shows.
- Coordinate with local economic development organizations to leverage resources and effectively respond to inquiries.

Increase the number of film, video, television and locations shoots produced in Alaska.

- Provide assistance and respond to direct inquiries regarding locations, local film industry, and permitting for filming in Alaska.
- Advertise in trade journals to promote Alaska as a film destination.
- Update promotional video to provide a visual reference about Alaska's locations.
- Maintain Internet website with current information regarding Alaska's film industry and film resources.
- Update film manual to provide current, detailed information on Alaska's film industry.

Provide Meaningful and High-Quality Assistance to Private and Public Sectors to Benefit Alaska's Economy

- Ensure that information on Alaska's export economy is accessible through a variety of mediums including the Internet, special reports, newsletters and trade seminars.
- On a regular basis, survey users of the division's services and programs to measure satisfaction and results.
- Maintain contact with companies and associations to continually assess needs of Alaska's industry.

## **Key Component Issues for FY2001 – 2002**

It is important for Alaska to maintain an effective trade presence in the state's traditional export markets as the post "Asian Economic Crisis" recovery continues. Exports to the region rebounded sharply in '99, but economies of the countries in the region have not recovered uniformly and there remains uncertainty as to whether or not the rebound itself will be long-term or short-lived. This is a critical time for Alaska exporters. Efforts made now will enable companies to maintain, gain or, in some cases, regain market share. Information and assistance provided by the division's in-state trade specialists and overseas representatives will play an important role in helping Alaska firms to compete more effectively in the global market place.

The state's export industries continue to benefit from Alaska's trade presence in key overseas markets. Having established trade representation early on in markets like Japan, Korea, Taiwan and Sakhalin, Alaska exports to those markets have grown substantially. Alaska's worldwide exports reached \$2.6 billion in 1999. In addition to maintaining a strong trade presence in these traditional markets, the state should now take steps to establish trade representation in China, an emerging market with significant potential for Alaska's goods and services.

In order to expand and diversify the economy, Alaska must attract new industry and investment to the state. Doing so will help expand employment opportunities for Alaskans and diversify the tax base. Business and investment recruitment is a highly competitive endeavor. Cities, counties and states across America compete to attract business to their communities. In reality, the competition is global. American communities often find themselves competing with overseas locales for new business and investment. If Alaska is to succeed in attracting its fair share, sufficient resources will need to be deployed toward this end.

## Major Component Accomplishments for FY2000

Seafood successes in Korea. The division introduced fresh Alaska seafood to hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in over \$200,000 in direct sales and over \$2 million projected sales by Alaska seafood companies to new customers in Korea.

Alaska businesses make contacts in Japan, China during an October 2000 trade mission led by the Governor. Mission helped Alaska businesses renew existing ties and introduce goods and services to new contacts in Alaska's top export market and the world's largest emerging market. The ten-day 33-member trade mission highlighted Alaska businesses' strengths in energy, seafood, and technical services in Tokyo, Hong Kong, Shanghai and Beijing. Results included actual new business contracts and potential business for Alaska companies.

Alaska - Russian Far East (RFE) trade rebounds in 2000 following 1999 financial crisis and ruble collapse. The division hosted a steady stream of delegations and official visits geared toward enhancing Alaska-RFE business, cooperation and projects. Results include renewed relations and projects involving energy, mining, tourism, transportation, training and trade. The US State Department pledged support for state's proposals to increase Alaska-RFE flights, expand visa-free travel for Bering Strait region Native residents and promote other cross-border activities. Alaska was awarded a new USAID grant for Sakhalin technical assistance projects: infrastructure finance, workforce development and environmental management of development projects.

New Alaska export: agriculture produce. Division promoted sale of Alaska produce (seed potatoes, table stock potatoes, cabbage, and carrots) in Taiwan and promoted decision by People's Republic of China (PRC) to allow seedstock potatoes into the country. Results: Alaska's produce introduced and highlighted to Taiwan buyers and importers; increased likelihood of PRC allowing Alaska seed potato imports following division-hosted missions by PRC agricultural officials and Governor's trade mission follow-up visits to those officials.

Exports Up in 2000. Alaska exported \$2.56 billion worth of goods in 1999, an increase of 31% over 1998. Alaska's total exports for the first half of 2000 were \$1.21 billion, an increase of 11% over the first half of 1999. These figures reflect recovery in Asia's markets, which account for 80% of Alaska's exports, following the 1997-98 "Asian flu."

Direct Air Service: two successful charter flights between Japan and Alaska. The division engaged Japan's leading airline in active evaluation of opening direct service between Japan and Alaska. Progress to date includes All Nippon Airways' decision to operate two charter flights in the summer of 2000, and ongoing evaluation of more direct flights in 2001. Division headed Governor's team, including trade, tourism and aviation officials. Direct flights increase opportunities for business travel, cargo and tourism from Alaska's number one export market, Japan.

## Statutory and Regulatory Authority

AS 37.17.440 - International Trade and Business Endowment

AS 44.33 - Economic Development

AS 44.33.800 - International Trade

AS 44.99.100 - Economic Development Policy

## Key Performance Measures for FY2002

**Measure: Number of trade leads in international trade and development.**

*(Added by Legislature in FY2001 version.)*

### Current Status:

No baseline number as yet. Current year will be the baseline. Beginning FY01, the division will maintain records to quantify the number of trade leads distributed to Alaska exporters, overseas buyers, film community, and other Alaska businesses.

**Benchmark:**

These records will be compared to similar surveys by national organizations supporting economic development, for example, surveys done by the National Association of State Development Agencies (NASDA).

**Background and Strategies:**

Raise visibility of Alaska as potential source for goods and services, and a place to do business, via promotions, trade shows, seminars, and through efforts of Alaska's trade representatives overseas.

**Measure: Number of Alaska firms that export products and services.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

No definitive information available for total number of Alaska companies involved in exporting activities.

**Benchmark:**

Most recent figures for number of new companies exporting are from a study done by the U.S. Census Bureau for the years 1992-97. This information is available on an annual basis from the US Census Bureau, often following a substantial lag time.

Beginning in FY01, the division will use two numbers to determine number of Alaska firms exporting: Census Bureau's reported figures, and division's tracking of Alaska firms to which the division provides information and assistance.

**Background and Strategies:**

Provide market information and assistance to export-ready Alaska companies; assist smaller and new-to-export firms to test the waters overseas through relatively inexpensive means; conduct matchmaking via trade missions, inbound and outbound.

**Measure: Dollar value of exports from the state.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

In 1999 the dollar value of exports from Alaska increased 31% from 1998 to \$2.6 billion.

**Benchmark:**

During 1999, the dollar value of all U.S exports increased 1.8% from 1998 to \$692.8 billion. This information is recorded and reported by the U.S. Census Bureau. Figures are derived from Export Statistics, State of Origin series.

**Background and Strategies:**

Information and assistance to Alaska companies to initiate or expand export business activities; research potential niche-market opportunities for value-added products.

**Status of FY2001 Performance Measures**

|  | <i>Achieved</i> | <i>On track</i> | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|--|-----------------|-----------------|-------------------------|------------------------------|---------------------------|
| • Number of trade leads in international trade and development |                 |                 | X                       |                              |                           |
| • Number of Alaska firms that export products and services     |                 |                 | X                       |                              |                           |
| • Dollar value of exports from the state                       |                 |                 | X                       |                              |                           |

## International Trade and Market Development

## Component Financial Summary

All dollars in thousands

|   | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|---|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                               |                |                   |                 |
| <b>Component Expenditures:</b>                            |                |                   |                 |
| 71000 Personal Services                                   | 0.0            | 0.0               | 769.6           |
| 72000 Travel  | 0.0            | 0.0               | 70.7            |
| 73000 Contractual   | 0.0            | 0.0               | 948.2           |
| 74000 Supplies  | 0.0            | 0.0               | 19.5            |
| 75000 Equipment   | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings                                      | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                                      | 0.0            | 0.0               | 295.0           |
| 78000 Miscellaneous                                       | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                                 | <b>0.0</b>     | <b>0.0</b>        | <b>2,103.0</b>  |
| <b>Funding Sources:</b>                                   |                |                   |                 |
| 1004 General Fund Receipts                                | 0.0            | 0.0               | 1,461.6         |
| 1005 General Fund/Program Receipts                        | 0.0            | 0.0               | 12.7            |
| 1007 Inter-Agency Receipts                                | 0.0            | 0.0               | 112.2           |
| 1108 Statutory Designated Program Receipts                | 0.0            | 0.0               | 20.0            |
| 1115 International Trade and Business<br>Endowment Income | 0.0            | 0.0               | 496.5           |
| <b>Funding Totals</b>                                     | <b>0.0</b>     | <b>0.0</b>        | <b>2,103.0</b>  |

## Estimated Revenue Collections

| Description                               | Master<br>Revenue<br>Account | FY2000<br>Actuals | FY2001<br>Authorized | FY2001<br>Cash<br>Estimate | FY2002<br>Governor | FY2003<br>Forecast |
|---|------------------------------|-------------------|----------------------|----------------------------|--------------------|--------------------|
| <b>Unrestricted Revenues</b>              |                              |                   |                      |                            |                    |                    |
| None.                                     |                              | 0.0               | 0.0                  | 0.0                        | 0.0                | 0.0                |
| <b>Unrestricted Total</b>                 |                              | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>                 | <b>0.0</b>         | <b>0.0</b>         |
| <b>Restricted Revenues</b>                |                              |                   |                      |                            |                    |                    |
| Interagency Receipts                      | 51015                        | 0.0               | 0.0                  | 0.0                        | 112.2              | 112.2              |
| General Fund Program<br>Receipts          | 51060                        | 0.0               | 0.0                  | 0.0                        | 12.7               | 12.7               |
| Statutory Designated<br>Program Receipts  | 51063                        | 0.0               | 0.0                  | 0.0                        | 20.0               | 20.0               |
| Intl Trade & Business<br>Endowment Income | 51422                        | 0.0               | 0.0                  | 0.0                        | 496.5              | 496.5              |
| <b>Restricted Total</b>                   |                              | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>                 | <b>641.4</b>       | <b>641.4</b>       |
| <b>Total Estimated Revenues</b>           |                              | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>                 | <b>641.4</b>       | <b>641.4</b>       |

## International Trade and Market Development

### Proposed Changes in Levels of Service for FY2002

#### TRANSFER TRADE PROGRAM FUNDING FROM GOVERNOR'S OFFICE TO DCED

In the FY01 budget, the Legislature transferred a portion of the international trade authorization from the department to the Office of the Governor although statutes place it in DCED. In order to maintain an effective, coordinated economic development program in State government, the Governor's Office has chosen to continue the international trade function within the department. The division regularly coordinates its activities with the Governor's Office. The funding for the international trade program was transferred back to the Division of International Trade and Market Development by a Reimbursable Services Agreement in FY 2001. The Governor's budget transfers the program appropriation back to the Division of International Trade and Market Development in FY 2002.

### Summary of Component Budget Changes

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>  | <b>0.0</b>           | <b>0.0</b>           | <b>0.0</b>         | <b>0.0</b>         |
| <b>Adjustments which get you to start of year:</b>                          |                      |                      |                    |                    |
| -Update Executive Administration and Support Cost Allocation Plan           | -21.2                | 0.0                  | -8.7               | -29.9              |
| <b>Adjustments which will continue current level of service:</b>            |                      |                      |                    |                    |
| -Transfer International Trade and Market Development from Governor's Office | 387.4                | 0.0                  | 615.7              | 1,003.1            |
| -Transfer funding from Int'l Trade  | 1,098.1              | 0.0                  | 5.3                | 1,103.4            |
| -Year 2 Labor Costs - Net Change from FY 2001                               | 10.0                 | 0.0                  | -3.6               | 6.4                |
| <b>Proposed budget increases:</b>   |                      |                      |                    |                    |
| -Misc private sector contributions  | 0.0                  | 0.0                  | 20.0               | 20.0               |
| <b>FY2002 Governor</b>  | <b>1,474.3</b>       | <b>0.0</b>           | <b>628.7</b>       | <b>2,103.0</b>     |

## International Trade and Market Development

## Personal Services Information

| Authorized Positions |                      |                    | Personal Services Costs          |                |
|----------------------|----------------------|--------------------|----------------------------------|----------------|
|                      | FY2001<br>Authorized | FY2002<br>Governor |                                  |                |
| Full-time            | 0                    | 11                 | Annual Salaries                  | 593,746        |
| Part-time            | 0                    | 1                  | COLA                             | 12,563         |
| Nonpermanent         | 0                    | 0                  | Premium Pay                      | 0              |
|                      |                      |                    | Annual Benefits                  | 190,582        |
|                      |                      |                    | <i>Less 3.42% Vacancy Factor</i> | (27,291)       |
|                      |                      |                    | Lump Sum Premium Pay             | 0              |
| <b>Totals</b>        | <b>0</b>             | <b>12</b>          | <b>Total Personal Services</b>   | <b>769,600</b> |

## Position Classification Summary

| Job Class Title              | Anchorage | Fairbanks | Juneau   | Others   | Total     |
|------------------------------|-----------|-----------|----------|----------|-----------|
| Administrative Clerk I       | 1         | 0         | 0        | 0        | 1         |
| Administrative Clerk II      | 1         | 0         | 0        | 0        | 1         |
| Division Director            | 1         | 0         | 0        | 0        | 1         |
| Economist                    | 1         | 0         | 0        | 0        | 1         |
| Lead Development Specialist  | 0         | 0         | 1        | 0        | 1         |
| Research Analyst II          | 1         | 0         | 0        | 0        | 1         |
| Secretary                    | 1         | 0         | 0        | 0        | 1         |
| Special Projects Coordinator | 2         | 0         | 0        | 0        | 2         |
| Trade Specialist II          | 3         | 0         | 0        | 0        | 3         |
| <b>Totals</b>                | <b>11</b> | <b>0</b>  | <b>1</b> | <b>0</b> | <b>12</b> |

## **Municipal Revenue Sharing Budget Request Unit**

**Contact: Pat Poland, Director**

**Tel:** (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat\_Poland@dced.state.ak.us

### **BRU Mission**

To provide for a sharing of fish taxes collected outside municipal boundaries to municipalities that demonstrate they suffered significant effects from fisheries business activities.

To provide financial assistance to incorporated municipalities so that they may provide necessary public services for their citizens.

To share with affected local governments revenues earned from activities within the Tongass and Chugach National Forests to be used for schools and roads.

To compensate cities in the unorganized borough for lost revenues due to the location of federal lands within their respective areas.

To improve local governments' fiscal capacities and to assure no municipality suffers impoverishment of necessary public services, relative to other municipalities, because of the chance location of taxable wealth in the state.

### **BRU Services Provided**

Under this BRU, the Community and Business Development Division administers six important revenue sharing programs for the financial support of Alaska's communities. These formula funded programs include both state and federal dollars and have proven highly beneficial to Alaska's communities in providing basic public services to their citizens. By consolidating the administrative responsibilities of these programs, the State is able to offer a high level of assistance to the participating communities in a very efficient manner.

### **BRU Goals and Strategies**

Help Alaska local governments deal with significant impacts on community services and infrastructure arising from proximity to the fishing industry.

Distribute both state and federal financial assistance in an accurate, fair, and timely manner.

Improve the fiscal capacities of Alaska's local governments.

### **Key BRU Issues for FY2001 – 2002**

Cuts in State Shared Revenues - Despite the drastic cuts made to these programs, the State Revenue Sharing and Safe Communities Programs continue to be important sources of funding for Alaska's local governments, particularly the small rural cities. For many of the rural cities, these funds still represent a significant portion of their operating budgets. In FY 86, these programs totaled \$140,939,000. In FY 01 these programs totaled \$28,493,400, an 80% decrease in annual funding not adjusted for inflation. The funding cuts have had a dramatic impact on Alaska's local governments and their residents. These impacts include:

Municipal Dissolution  
Significant Reduction in Public Services and Public Health  
Deteriorating Infrastructure  
Increased Social Problems  
Insurance Unavailability and Rate Increases  
Increased IRS and ESC problems and levies



Decline in Urban/Rural Business Activity  
Increased Local Taxes

### **Major BRU Accomplishments for FY2000**

Distributed community financial assistance payments in an accurate, fair and timely manner.

**Municipal Revenue Sharing**  
**BRU Financial Summary by Component**

*All dollars in thousands*

|  | FY2000 Actuals  |               |                |                 | FY2001 Authorized |                 |                |                 | FY2002 Governor |                 |                |                 |
|--|-----------------|---------------|----------------|-----------------|-------------------|-----------------|----------------|-----------------|-----------------|-----------------|----------------|-----------------|
|  | General Funds   | Federal Funds | Other Funds    | Total Funds     | General Funds     | Federal Funds   | Other Funds    | Total Funds     | General Funds   | Federal Funds   | Other Funds    | Total Funds     |
| <b><u>Formula Expenditures</u></b>     |                 |               |                |                 |                   |                 |                |                 |                 |                 |                |                 |
| State Revenue Sharing                  | 12,852.8        | 0.0           | 1,534.0        | 14,386.8        | 12,855.2          | 0.0             | 0.0            | 12,855.2        | 12,855.2        | 0.0             | 0.0            | 12,855.2        |
| Municipal Assistance                   | 15,638.2        | 0.0           | 1,866.0        | 17,504.2        | 15,638.2          | 0.0             | 0.0            | 15,638.2        | 15,638.2        | 0.0             | 0.0            | 15,638.2        |
| National Program Receipts              | 0.0             | 0.0           | 0.0            | 0.0             | 0.0               | 14,000.0        | 0.0            | 14,000.0        | 0.0             | 16,000.0        | 0.0            | 16,000.0        |
| Fisheries Business Tax                 | 0.0             | 0.0           | 0.0            | 0.0             | 0.0               | 0.0             | 1,000.0        | 1,000.0         | 0.0             | 0.0             | 1,000.0        | 1,000.0         |
| <b><u>Non-Formula Expenditures</u></b> |                 |               |                |                 |                   |                 |                |                 |                 |                 |                |                 |
| None.                                  |                 |               |                |                 |                   |                 |                |                 |                 |                 |                |                 |
| <b>Totals</b>                          | <b>28,491.0</b> | <b>0.0</b>    | <b>3,400.0</b> | <b>31,891.0</b> | <b>28,493.4</b>   | <b>14,000.0</b> | <b>1,000.0</b> | <b>43,493.4</b> | <b>28,493.4</b> | <b>16,000.0</b> | <b>1,000.0</b> | <b>45,493.4</b> |

## Municipal Revenue Sharing

### Proposed Changes in Levels of Service for FY2002

Congress has enacted legislation (HR 2389) that will increase and stabilize future national forest receipt funding. Starting in FY 02 and continuing for six years, the Department will receive an annual payment based on the average of the three highest payment years between FFY 86 - 99. It is estimated that the annual payment to the state will be between approximately \$9 to 10 million. At this time it appears the federal appropriation for the Payment in Lieu of Taxes Program will increase from the \$134 million funding level for FY 01 to \$200 million for FY 02. The division estimates that the Department's pass-through share for cities in the Unorganized Borough will increase in FY 02 to between approximately \$5 to 6 million.

## Municipal Revenue Sharing

### Summary of BRU Budget Changes by Component

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|                                   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|-----------------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>          | <b>28,493.4</b>      | <b>14,000.0</b>      | <b>1,000.0</b>     | <b>43,493.4</b>    |
| <b>Proposed budget increases:</b> |                      |                      |                    |                    |
| -National Program Receipts        | 0.0                  | 2,000.0              | 0.0                | 2,000.0            |
| <b>FY2002 Governor</b>            | <b>28,493.4</b>      | <b>16,000.0</b>      | <b>1,000.0</b>     | <b>45,493.4</b>    |

## **Component: State Revenue Sharing**

### **Contact: Pat Poland, Division Director**

**Tel:** (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat\_Poland@dced.state.ak.us

## **Component Mission**

To improve local governments' fiscal capacities and to assure no municipality suffers impoverishment of necessary public services, relative to other municipalities, because of the chance location of taxable wealth in the state.

## **Component Services Provided**

1. Direct financial assistance through the formula-based State Revenue Sharing Program.
2. Direct vendor payments on behalf of local governments to entities such as the Alaska Municipal League/Joint Insurance Association Inc. for insurance premiums and Yukon Fuel for bulk fuel purchases.

## **Component Goals and Strategies**

1. To improve the fiscal capacities of Alaska's local governments.
2. To distribute program funding in an accurate, fair, and timely manner.

## **Key Component Issues for FY2001 – 2002**

Cuts in State Shared Revenues - Despite the drastic cuts made to these programs, the State Revenue Sharing and Safe Communities Programs continue to be important sources of funding for Alaska's local governments, particularly the small rural cities. For many of the rural cities, these funds still represent a significant portion of their operating budgets. In FY 86, these programs totaled \$140,939,000. In FY 01 these programs totaled \$28,493,400, an 80% decrease in annual funding not adjusted for inflation. The funding cuts have had a dramatic impact on Alaska's local governments and their residents. These impacts include:

Municipal Dissolution  
Significant Reduction in Public Services and Public Health  
Deteriorating Infrastructure  
Increased Social Problems  
Insurance Unavailability and Rate Increases  
Increased IRS and ESC problems and levies  
Decline in Urban/Rural Business Activity  
Increased Local Taxes

## **Major Component Accomplishments for FY2000**

Distributed State Revenue Sharing Program payments in an accurate, fair and timely manner.

## **Statutory and Regulatory Authority**

AS 29.60.010-.310 State Revenue Sharing  
3 AAC 30.010-.150 State Revenue Sharing

## State Revenue Sharing

### Component Financial Summary

*All dollars in thousands*

|  | FY2000 Actuals  | FY2001 Authorized | FY2002 Governor |
|--|-----------------|-------------------|-----------------|
| <b>Formula Program:</b>                  |                 |                   |                 |
| <b>Component Expenditures:</b>           |                 |                   |                 |
| 71000 Personal Services                  | 0.0             | 0.0               | 0.0             |
| 72000 Travel                             | 0.0             | 0.0               | 0.0             |
| 73000 Contractual                        | 0.0             | 0.0               | 0.0             |
| 74000 Supplies                           | 0.0             | 0.0               | 0.0             |
| 75000 Equipment                          | 0.0             | 0.0               | 0.0             |
| 76000 Land/Buildings                     | 0.0             | 0.0               | 0.0             |
| 77000 Grants, Claims                     | 14,386.8        | 12,855.2          | 12,855.2        |
| 78000 Miscellaneous                      | 0.0             | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                | <b>14,386.8</b> | <b>12,855.2</b>   | <b>12,855.2</b> |
| <b>Funding Sources:</b>                  |                 |                   |                 |
| 1004 General Fund Receipts               | 12,852.8        | 12,855.2          | 12,855.2        |
| 1054 State Employment & Training Program | 1,534.0         | 0.0               | 0.0             |
| <b>Funding Totals</b>                    | <b>14,386.8</b> | <b>12,855.2</b>   | <b>12,855.2</b> |

### Estimated Revenue Collections

| Description                           | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|---------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>          |                        |                |                   |                      |                 |                 |
| None.                                 |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>             |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>            |                        |                |                   |                      |                 |                 |
| State Employment and Training Program | 51394                  | 1,534.0        | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Restricted Total</b>               |                        | <b>1,534.0</b> | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Total Estimated Revenues</b>       |                        | <b>1,534.0</b> | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |

**State Revenue Sharing****Proposed Changes in Levels of Service for FY2002**

No service changes.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|                          | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b> | <b>12,855.2</b>      | <b>0.0</b>           | <b>0.0</b>         | <b>12,855.2</b>    |
| <b>FY2002 Governor</b>   | <b>12,855.2</b>      | <b>0.0</b>           | <b>0.0</b>         | <b>12,855.2</b>    |

## **Component: Municipal Assistance**

### **Contact: Pat Poland, Division Director**

**Tel:** (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat\_Poland@dced.state.ak.us

## **Component Mission**

To provide financial assistance to incorporated municipalities so that they may provide necessary public services for their citizens.

## **Component Services Provided**

1. Direct financial assistance through the Safe Communities Program (formerly known as the Municipal Assistance Program).
2. Direct vendor payments on behalf of local governments to entities such as the Alaska Municipal League/Joint Insurance Association Inc. for insurance premiums and Yukon Fuel for bulk fuel purchases.

## **Component Goals and Strategies**

1. To improve the fiscal capacities of Alaska's local governments.
2. To distribute both state and federal financial assistance in an accurate, fair, and timely manner.

## **Key Component Issues for FY2001 – 2002**

Cuts in State Shared Revenues - Despite the drastic cuts made to these programs, the State Revenue Sharing and Safe Communities Programs continue to be important sources of funding for Alaska's local governments, particularly the small rural cities. For many of the rural cities, these funds still represent a significant portion of their operating budgets. In FY 86, these programs totaled \$140,939,000. In FY 01 these programs totaled \$28,493,400, an 80% decrease in annual funding not adjusted for inflation. The funding cuts have had a dramatic impact on Alaska's local governments and their residents. These impacts include:

Municipal Dissolution  
Significant Reduction in Public Services and Public Health  
Deteriorating Infrastructure  
Increased Social Problems  
Insurance Unavailability and Rate Increases  
Increased IRS and ESC problems and levies  
Decline in Urban/Rural Business Activity  
Increased Local Taxes

## **Major Component Accomplishments for FY2000**

Distributed Community Financial Assistance payments in an accurate, fair and timely manner.

## **Statutory and Regulatory Authority**

AS 29.60.350-.375 Safe Communities

## Municipal Assistance

### Component Financial Summary

*All dollars in thousands*

|  | FY2000 Actuals  | FY2001 Authorized | FY2002 Governor |
|--|-----------------|-------------------|-----------------|
| <b>Formula Program:</b>                  |                 |                   |                 |
| <b>Component Expenditures:</b>           |                 |                   |                 |
| 71000 Personal Services                  | 0.0             | 0.0               | 0.0             |
| 72000 Travel                             | 0.0             | 0.0               | 0.0             |
| 73000 Contractual                        | 0.0             | 0.0               | 0.0             |
| 74000 Supplies                           | 0.0             | 0.0               | 0.0             |
| 75000 Equipment                          | 0.0             | 0.0               | 0.0             |
| 76000 Land/Buildings                     | 0.0             | 0.0               | 0.0             |
| 77000 Grants, Claims                     | 17,504.2        | 15,638.2          | 15,638.2        |
| 78000 Miscellaneous                      | 0.0             | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                | <b>17,504.2</b> | <b>15,638.2</b>   | <b>15,638.2</b> |
| <b>Funding Sources:</b>                  |                 |                   |                 |
| 1004 General Fund Receipts               | 15,638.2        | 15,638.2          | 15,638.2        |
| 1054 State Employment & Training Program | 1,866.0         | 0.0               | 0.0             |
| <b>Funding Totals</b>                    | <b>17,504.2</b> | <b>15,638.2</b>   | <b>15,638.2</b> |

### Estimated Revenue Collections

| Description                           | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|---------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>          |                        |                |                   |                      |                 |                 |
| None.                                 |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>             |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>            |                        |                |                   |                      |                 |                 |
| State Employment and Training Program | 51394                  | 1,866.0        | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Restricted Total</b>               |                        | <b>1,866.0</b> | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Total Estimated Revenues</b>       |                        | <b>1,866.0</b> | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |



**Municipal Assistance****Proposed Changes in Levels of Service for FY2002**

No service changes.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|                          | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b> | 15,638.2             | 0.0                  | 0.0                | 15,638.2           |
| <b>FY2002 Governor</b>   | 15,638.2             | 0.0                  | 0.0                | 15,638.2           |

## **Component: National Program Receipts**

**Contact: Pat Poland, Director**

**Tel:** (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat\_Poland@dced.state.ak.us

### **Component Mission**

- 1) To share with affected local governments revenues earned from activities within the Tongass and Chugach National Forests to be used for schools and roads.
- 2) To compensate cities in the unorganized borough for lost revenues due to the location of federal lands within their respective areas.

### **Component Services Provided**

1. Direct financial assistance through the federal National Forest Receipts and Payment in Lieu of Taxes Programs.
2. Direct vendor payments on behalf of local governments to entities such as the Alaska Municipal League/Joint Insurance Association Inc. for insurance premiums and Yukon Fuel for bulk fuel purchases.

### **Component Goals and Strategies**

To distribute both state and federal financial assistance in an accurate, fair, and timely manner.

### **Key Component Issues for FY2001 – 2002**

Congress has enacted legislation (HR 2389) which will stabilize future forest receipts funding. Starting in FY 02 and continuing over the next six years, the State will receive an annual payment based on the average of the three highest payment years within FFY 86 -99. This will have a positive effect on the communities in Southeast Alaska which have been hit hard by the substantial decrease in timber harvesting within the Tongass National Forest. Payments received by eligible entities under the revised program must be used for schools, roads, and special forest related projects.

### **Major Component Accomplishments for FY2000**

Distributed Community Financial Assistance payments in an accurate, fair and timely manner.

### **Statutory and Regulatory Authority**

AS 41.15.180 National Forest Receipts  
3 AAC 32.010-.900 National Forest Receipts  
3 AAC 52.100-.900 Payment in Lieu of Taxes

## National Program Receipts

### Component Financial Summary

*All dollars in thousands*

|                                | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--------------------------------|----------------|-------------------|-----------------|
| <b>Formula Program:</b>        |                |                   |                 |
| <b>Component Expenditures:</b> |                |                   |                 |
| 71000 Personal Services        | 0.0            | 0.0               | 0.0             |
| 72000 Travel                   | 0.0            | 0.0               | 0.0             |
| 73000 Contractual              | 0.0            | 0.0               | 0.0             |
| 74000 Supplies                 | 0.0            | 0.0               | 0.0             |
| 75000 Equipment                | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings           | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims           | 0.0            | 14,000.0          | 16,000.0        |
| 78000 Miscellaneous            | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>      | <b>0.0</b>     | <b>14,000.0</b>   | <b>16,000.0</b> |
| <b>Funding Sources:</b>        |                |                   |                 |
| 1002 Federal Receipts          | 0.0            | 14,000.0          | 16,000.0        |
| <b>Funding Totals</b>          | <b>0.0</b>     | <b>14,000.0</b>   | <b>16,000.0</b> |

### Estimated Revenue Collections

| Description                         | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|-------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b><u>Unrestricted Revenues</u></b> |                        |                |                   |                      |                 |                 |
| None.                               |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>           |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b><u>Restricted Revenues</u></b>   |                        |                |                   |                      |                 |                 |
| Federal Receipts                    | 51010                  | 0.0            | 14,000.0          | 14,000.0             | 16,000.0        | 16,000.0        |
| <b>Restricted Total</b>             |                        | <b>0.0</b>     | <b>14,000.0</b>   | <b>14,000.0</b>      | <b>16,000.0</b> | <b>16,000.0</b> |
| <b>Total Estimated Revenues</b>     |                        | <b>0.0</b>     | <b>14,000.0</b>   | <b>14,000.0</b>      | <b>16,000.0</b> | <b>16,000.0</b> |

## National Program Receipts

### Proposed Changes in Levels of Service for FY2002

Congress has enacted legislation (HR 2389) which will increase and stabilize future national forest receipt funding. Starting in FY 02 and continuing for six years, the Department will receive an annual payment based on the average of the three highest payment years between FFY 86 - 99. It is estimated that the annual payment to the state will be between approximately \$9 to 10 million. At this time it appears the federal appropriation for the Payment in Lieu of Taxes Program will increase from the \$134 million funding level for FY 01 to \$200 million for FY 02. The division estimates that the Department's pass-through share for cities in the Unorganized Borough will increase in FY 02 to between approximately \$5 to 6 million.

### Summary of Component Budget Changes

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|                                   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|-----------------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>          | <b>0.0</b>           | <b>14,000.0</b>      | <b>0.0</b>         | <b>14,000.0</b>    |
| <b>Proposed budget increases:</b> |                      |                      |                    |                    |
| -Increases in national programs   | 0.0                  | 2,000.0              | 0.0                | 2,000.0            |
| <b>FY2002 Governor</b>            | <b>0.0</b>           | <b>16,000.0</b>      | <b>0.0</b>         | <b>16,000.0</b>    |

## **Component: Fisheries Business Tax**

**Contact: Pat Poland, Director**

**Tel:** (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat\_Poland@dced.state.ak.us

### **Component Mission**

To provide for a sharing of fish taxes collected outside municipal boundaries to municipalities that demonstrate they suffered significant effects from fisheries business activities.

### **Component Services Provided**

1. Direct financial assistance through the Shared Fisheries Business Tax and Fisheries Landing Tax Programs.
2. Technical assistance for, and facilitation of, local area agreements on optional funding allocations as provided for in the program.

### **Component Goals and Strategies**

1. To help Alaska local governments deal with significant impacts on community services and infrastructure arising from proximity to the fishing industry.
2. To distribute both state and federal financial assistance in an accurate, fair, and timely manner.

### **Key Component Issues for FY2001 – 2002**

none

### **Major Component Accomplishments for FY2000**

Distributed community financial assistance payments in an accurate, fair and timely manner.

### **Statutory and Regulatory Authority**

AS 29.60.450 Shared Fisheries Business Taxes  
3 AAC 34.010-.160 Shared Fisheries Business Taxes

## Fisheries Business Tax

### Component Financial Summary

*All dollars in thousands*

|                                | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--------------------------------|----------------|-------------------|-----------------|
| <b>Formula Program:</b>        |                |                   |                 |
| <b>Component Expenditures:</b> |                |                   |                 |
| 71000 Personal Services        | 0.0            | 0.0               | 0.0             |
| 72000 Travel                   | 0.0            | 0.0               | 0.0             |
| 73000 Contractual              | 0.0            | 0.0               | 0.0             |
| 74000 Supplies                 | 0.0            | 0.0               | 0.0             |
| 75000 Equipment                | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings           | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims           | 0.0            | 1,000.0           | 1,000.0         |
| 78000 Miscellaneous            | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>      | <b>0.0</b>     | <b>1,000.0</b>    | <b>1,000.0</b>  |
| <b>Funding Sources:</b>        |                |                   |                 |
| 1007 Inter-Agency Receipts     | 0.0            | 1,000.0           | 1,000.0         |
| <b>Funding Totals</b>          | <b>0.0</b>     | <b>1,000.0</b>    | <b>1,000.0</b>  |

### Estimated Revenue Collections

| Description                         | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|-------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b><u>Unrestricted Revenues</u></b> |                        |                |                   |                      |                 |                 |
| None.                               |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>           |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b><u>Restricted Revenues</u></b>   |                        |                |                   |                      |                 |                 |
| Interagency Receipts                | 51015                  | 0.0            | 1,000.0           | 1,000.0              | 1,000.0         | 1,000.0         |
| <b>Restricted Total</b>             |                        | <b>0.0</b>     | <b>1,000.0</b>    | <b>1,000.0</b>       | <b>1,000.0</b>  | <b>1,000.0</b>  |
| <b>Total Estimated Revenues</b>     |                        | <b>0.0</b>     | <b>1,000.0</b>    | <b>1,000.0</b>       | <b>1,000.0</b>  | <b>1,000.0</b>  |

**Fisheries Business Tax****Proposed Changes in Levels of Service for FY2002**

None

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|                          | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b> | <b>0.0</b>           | <b>0.0</b>           | <b>1,000.0</b>     | <b>1,000.0</b>     |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>1,000.0</b>     | <b>1,000.0</b>     |

## **BRU/Component: Qualified Trade Association Contract**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

**Contact: Jeff Bush, Deputy Commissioner**

**Tel:** (907) 465-2500 **Fax:** (907) 465-5442 **E-mail:** Jeff\_Bush@dced.state.ak.us

### **Component Mission**

The mission of the state tourism marketing program is to increase jobs and income to Alaska residents through the promotion of Alaska as a visitor destination and the resulting visitor expenditures.

### **Component Services Provided**

Tourism Marketing. Continue to provide funding for the state's statewide tourism marketing contract with a qualified trade association.

### **Component Goals and Strategies**

#### **INCREASE BENEFITS FROM VISITORS COMING TO OR TRAVELING WITHIN THE STATE**

- Increase interest in Alaska as a visitor destination.
- Maintain or increase the average length of stay in Alaska.
- Increase employment of Alaskans in the visitor industry throughout the state.
- Increase awareness and participation of businesses in the marketing program.
- Increase private sector funding of state tourism marketing programs.
- Endeavor to position Alaska as a year-round destination.
- Increase visitation to all regions of the state including non-urban areas.
- Attract a diverse mixture of visitors who travel to and within Alaska by a variety of travel modes.
- Increase total visitor expenditures statewide; endeavor to maintain or increase per trip expenditures.

### **Key Component Issues for FY2001 – 2002**

Growth Rate of Tourism Travel to Alaska is Decreasing --- The rate of growth of tourism visitation is declining both for package travel and independent visitors. However, although the overall growth rate of package tours has declined, Alaska's share of the international cruise market has been maintained. Meanwhile the growth of independent travelers has dropped below the national average rate.

Obtain sufficient private sector funding to meet requisite match and improve program - Beginning in FY 03, state law requires the qualified trade association contractor to increase its contribution to the marketing program from 30 to 60 percent. This will require significant effort to generate additional funds from private sector companies.

Increased competition from other tourism destinations continues to threaten the Alaska industry - Alaska's public funding for tourism marketing has declined from over \$10 million in FY92 to \$4.2 million in FY01. While other states have increased their funding by 25 percent in the past five years, Alaska has slipped from 7th to 33rd place in the amount of state funds allocated to tourism marketing. This decline in state funding requires industry to find ways to more effectively utilize its marketing money.

### **Major Component Accomplishments for FY2000**

Not applicable.



## **Statutory and Regulatory Authority**

AS 44.33.119 - 125

### **Key Performance Measures for FY2002**

**Measure: Increase interest in Alaska as a visitor destination as reflected in the number of inquiries for travel information.**

*(Not yet addressed by Legislature.)*

**Measure: Increase in the number and income of Alaskans employed in the visitor industry throughout the state.**

*(Not yet addressed by Legislature.)*

**Measure: Increased awareness and participation of businesses in the marketing program, through increased number of members and private sector contributions.**

*(Not yet addressed by Legislature.)*

**Measure: Increased visitation to all regions of the state including non-urban areas.**

*(Not yet addressed by Legislature.)*

**Measure: Increase diversification of visitors who travel to and within Alaska by a variety of travel modes.**

*(Not yet addressed by Legislature.)*

**Measure: Increase visitor expenditures statewide, including maintaining or increasing per trip expenditures.**

*(Not yet addressed by Legislature.)*

## Qualified Trade Association Contract

## Component Financial Summary

All dollars in thousands

|                                | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--------------------------------|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>    |                |                   |                 |
| <b>Component Expenditures:</b> |                |                   |                 |
| 71000 Personal Services        | 0.0            | 0.0               | 0.0             |
| 72000 Travel                   | 0.0            | 0.0               | 0.0             |
| 73000 Contractual              | 0.0            | 4,850.0           | 4,855.4         |
| 74000 Supplies                 | 0.0            | 0.0               | 0.0             |
| 75000 Equipment                | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings           | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims           | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous            | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>      | <b>0.0</b>     | <b>4,850.0</b>    | <b>4,855.4</b>  |
| <b>Funding Sources:</b>        |                |                   |                 |
| 1004 General Fund Receipts     | 0.0            | 4,800.0           | 4,805.3         |
| 1007 Inter-Agency Receipts     | 0.0            | 50.0              | 50.1            |
| <b>Funding Totals</b>          | <b>0.0</b>     | <b>4,850.0</b>    | <b>4,855.4</b>  |

## Estimated Revenue Collections

| Description                     | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|---------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>    |                        |                |                   |                      |                 |                 |
| None.                           |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>       |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>      |                        |                |                   |                      |                 |                 |
| Interagency Receipts            | 51015                  | 0.0            | 50.0              | 50.0                 | 50.1            | 50.1            |
| <b>Restricted Total</b>         |                        | <b>0.0</b>     | <b>50.0</b>       | <b>50.0</b>          | <b>50.1</b>     | <b>50.1</b>     |
| <b>Total Estimated Revenues</b> |                        | <b>0.0</b>     | <b>50.0</b>       | <b>50.0</b>          | <b>50.1</b>     | <b>50.1</b>     |

**Qualified Trade Association Contract****Proposed Changes in Levels of Service for FY2002**

None.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>4,800.0</b>       | <b>0.0</b>           | <b>50.0</b>        | <b>4,850.0</b>     |
| <b>Adjustments which get you to<br/>start of year:</b>               |                      |                      |                    |                    |
| -Update Executive Administration<br>and Support Cost Allocation Plan | 5.3                  | 0.0                  | 0.1                | 5.4                |
| <b>FY2002 Governor</b>   | <b>4,805.3</b>       | <b>0.0</b>           | <b>50.1</b>        | <b>4,855.4</b>     |

## **BRU/Component: Investments**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

### **Contact: Patty LaPierre, Administrative Manager**

**Tel:** (907) 465-2634 **Fax:** (907) 465-2690 **E-mail:** Patty\_LaPierre@dced.state.ak.us

## **Component Mission**

The mission of the Alaska Division of Investments (ADI) is to

- (1) promote economic development through direct state lending within those industries that are not adequately serviced by the private sector; and
- (2) provide interagency and interdepartmental loan servicing of other loan portfolios.

(CH. 77 SLA99, §24)

## **Component Services Provided**

Provides direct State lending in three active loan programs: Commercial Fishing, Fisheries Enhancement, and Small Business Economic Development. These programs provide financing in industries and areas for which loans are unavailable from the private sector. The Division also services loans for eight inactive loan programs administered by the Department, as well as another nine portfolios for The Alaska Industrial Development & Export Authority, the Departments of Revenue, Health & Social Services, Environmental Conservation, and Military & Veterans Affairs. Loan servicing consists of processing assumption, refinance, and maintenance requests, such as subordination's and collateral releases, payment collection, credit reporting, commercial and mortgage loan accounting, delinquent loan collection, foreclosure and bankruptcy management, repossessed property management and resale, hazardous waste investigation, and investor remittance.

The State offers a number of loan programs throughout various agencies, and the combined functions of loan approval, servicing, collections, and data processing can be performed more efficiently when consolidated into one agency. The complexities involved in some of these functions (e.g., bankruptcies, foreclosure, hazardous waste investigation, and repossessed properties) require a level of expertise that is financially and logistically easier to support when consolidated.

As of June 30, 2000, the Division of Investments was servicing 3790 accounts totaling \$215,140,200.

## **Component Goals and Strategies**

To make loans directly to qualified residents for programs established by the Alaska Legislature.

- Encourage a predominantly resident fishery to request loans for the purchase of limited entry permits, quota shares, vessels, and gear.
- Offer refinancing for commercial fishing boat loans.
- Offer loans for the operation of existing hatcheries.
- Create or save jobs through direct state lending to Alaskans.

To service efficiently the loan programs that are administered by the Department of Community & Economic Development, ensuring the greatest return on investment that is consistent with public policy.

- Collect money due the loan programs.
- Reduce or maintain the delinquency rates.
- Maintain the average processing times for loan and loan extension applications.
- Maintain the accuracy and timeliness of response to all customer service requests.

To act as a loan-servicing agency for many of the State's loan programs, ensuring the greatest return on investment that is consistent with public policy.

- Collect money due the loan programs.
- Reduce or maintain the delinquency rates.
- Maintain the average processing times for loan and loan extension applications.
- Maintain the accuracy and timeliness of response to all customer service requests.

### **Key Component Issues for FY2001 – 2002**

The commercial fishing industry continues in flux as world markets adapt to the changing supply of fish from fish farms as well as the more traditional fishing fleets. The salmon markets have been significantly affected, and as a result they have been extremely volatile for the past several years. It is important that Alaska maintains its place in the worldwide salmon market during these changing times to assure our place for the future. Both the Commercial Fishing Revolving Loan Fund and the Fisheries Enhancement Revolving Loan Fund depend heavily on the fish runs and the profitability of the fishing industry. The lack of fish during the 1997/98 season in many parts of the state, most notably in Bristol Bay, caused a large volume of loan extension requests. The 1999 season rebounded in most areas of the state; however, past losses have continued to encumber many fishermen. Fish returns for the 2000 season were above average in some fisheries and below average in others. It is difficult to project the cash flow for these two funds, since loan demand and repayments vary according to the level of success achieved by harvesters during the prior season.

#### **Tax Obligation Loan Program**

The Commercial Fishing Revolving Loan Fund was amended by the 2000 legislature to allow ADI to make loans to Alaskan commercial fishing harvesters to pay past due federal tax obligations that could result in the loss of a limited entry permit through a foreclosure action. This program took effect August 1st, 2000 and expires July 31, 2002. The maximum loan amount is \$30,000 for each borrower and ADI anticipates a loan demand of approximately \$1,500,000 over the two-year period.

### **Major Component Accomplishments for FY2000**

#### **VOLUNTEER TAX AND LOAN PROGRAM**

Supported the Volunteer Tax and Loan Program (VTLP) through a grant for fisheries business development to the Alaska Business Development Center, Inc. (ABDC). The VTLP received special recognition from the Peter F. Drucker Foundation for the achievements and innovative approach to non-profit management demonstrated by the Program. Additionally, ABDC representatives were invited to attend the ceremonies associated with the Foundation's recognition of the Program in Los Angeles. On behalf of the Drucker Foundation and in coordination with Jane Wesman Public Relations, an article and press release were created detailing ABDC's VTLP and the special recognition received from the Foundation. Jane Wesman distributed the article to 31 major media entities, ABDC participants, and other media entities.

#### **WESTERN ALASKA PROGRAM**

Applied for in FY 2000 and was awarded a \$3 million dollar grant to fund a new program called the Western Alaska Program. The grant was awarded by the Economic Development Administration and was matched with \$1 million dollars from the Alaska Industrial Development and Export Authority to provide a total of \$4 million dollars for new loans. The program provides loans to projects that create jobs and diversify local economies in areas of the state affected by the 1998 fisheries disaster. Under the first phase of the program, loans will be made to Cities, Boroughs, Tribal Councils and Native Non-Profit Corporations located in Western Alaska. In the second and third phases, loans will be available to individuals and businesses located in these communities. During FY00, 3 loans were approved and processed for a total dollar amount of \$575,000.

## Statutory and Regulatory Authority

|                         |   |
|-------------------------|---|
| AS 45.88.010-.050, .500 | Alternative Energy Revolving Loan Fund            |
| AS 44.33.240-.275       | Child Care Facility Revolving Loan Fund           |
| AS 16.10.300-.370       | Commercial Fishing Loan Act                       |
| AS 16.10.500-.620       | Fisheries Enhancement Revolving Loan Fund         |
| AS 45.98.010-.070       | Historical District Revolving Loan Fund           |
| AS 27.09.010-.060       | Mining Loan Fund                                  |
| AS 45.89.010-.070, .500 | Residential Energy Conservation Fund              |
| AS 45.95.010-.080       | Small Business Revolving Loan Fund                |
| AS 26.15.010-.170       | WWII Veterans Revolving Fund                      |
| AS 44.88.400-.430       | Small Business Economic Development Rev.Loan Fund |
| AS 44.47.800-.820       | Rural Development Initiative Fund                 |
| AS 44.33.020            | Dept. of Community and Economic Development       |
| 3 AAC 41.010-.900       | Veterans Loan Assumptions                         |
| 3 AAC 77.010-.900       | Reposessed Property                               |
| 3 AAC 78.010-.900       | Alternative Energy Loans                          |
| 3 AAC 79.010-.900       | Residential Energy Conservation                   |
| 3 AAC 80.010-.900       | Commercial Fishing Loans                          |
| 3 AAC 81.010-.900       | Fisheries Enhancement Loans & Grants              |
| 3 AAC 82.010-.900       | Child Care Facility Loans                         |
| 3 AAC 83.010-.900       | Historical District Loans                         |
| 3 AAC 86.010-.900       | Small Business Loan Assumptions                   |
| 3 AAC 87.010-.900       | Mining Loans                                      |
| 3 AAC 89.010-.900       | Fisheries Enhancement Tax Appropriation           |
| 3 AAC 99.800-.820       | Small Business Economic Development Loans         |
| 3 AAC 170.010-.900      | Rural Development Initiative Fund                 |

## Key Performance Measures for FY2002

**Measure: Small Business Economic Development Revolving Loan Fund - Create or save at least one job for every \$10K loaned in this program.**

*(Developed jointly with Legislature in FY2001.)*

### Current Status:

During fiscal year FY00, \$507,522 was loaned to Alaska small businesses. 117 jobs were created and 8 were saved.

### Benchmark:

There are no current statistics available at this time.

### Background and Strategies:

In many areas of the state, individuals wishing to start a small business have had virtually no chance of receiving financing without assistance from a program such as this. In June 1988 the Economic Development Administration (EDA) approved the Alaska Department of Commerce and Economic Development's original application to establish a Revolving Loan Fund (RLF). The funding approved for the original RLF totaled \$600,000 (\$350,000 from EDA and \$250,000 from the State of Alaska). In 1992 the fund was recapitalized with an additional EDA Grant, in the amount of \$450,000 and matching state funds in the amount of \$200,000. The RLF program has proven to be a very useful tool in the Department's overall rural small business and economic development program. In 1998 the department applied for and was awarded a \$600,000 grant to recapitalize this program. The grant was awarded by the EDA and was matched with \$200,000 from the Alaska Industrial Development and Export Authority to provide a total of \$800,000 for new loans. A total of 7 loans were made during the past fiscal year under this program, resulting in the creation of over 70 jobs in areas of the State that have experienced low per capita income or high unemployment. This division will continue to provide this financing by:

- Marketing this program through brochures, conferences, outreach visitation and the Alaska Business Development Center.

- Participating in the Economic Development Funding Forum, talking with other lenders regarding this program.
- Continuing to improve our presence on the Internet by making the loan program information available for viewing and downloading application forms.
- Utilizing the rural staff of Division of Community and Business Development (CBD) to promote this program.

**Measure: Commercial Fishing Revolving Loan Fund - Maintain the proportion of commercial fishing permits held by Alaskans at 75% or higher.**

*(Developed jointly with Legislature in FY2001.)*

**Current Status:**

Through FY99, the proportion of permits held by Alaskans was 78%, an increase of 1% over the last three years.

**Benchmark:**

Other than our twenty-five year loan history, there are no other programs similar to this loan program.

**Background and Strategies:**

The commercial fishing industry continues in flux as world markets adapt to the changing supply of fish from fish farms as well as the more traditional fishing fleets. The salmon markets have been significantly affected, and as a result, they have been extremely volatile for the past several years. It is important that Alaska maintains its place in the worldwide salmon market during these changing times to assure our place for the future. This loan program offers a relatively modest financing program for Alaska resident commercial fishing harvesters. The division's effort is to maintain the proportion of commercial fishing permits held by Alaskans at 75% or higher. To achieve this goal this division will:

- Work with Alaska resident fishermen requesting financing for the purchase of permits.
- Work with Alaska resident fishermen requesting financing for gear, vessel upgrades and/or improvements.
- Travel to fishing communities all over the state to assist them in their planning for financing their on-going fishing businesses.
- Travel to fishing communities all over the state to assist them in solving tax related problems.
- Continue to work with the Alaska Business Development Center, assisting fishermen through our Fisheries Business Assistance Grant.

**Measure: Fisheries Enhancement Revolving Loan Fund - Provide hatchery reared salmon to Alaska commercial fisheries at a harvest value of \$40M or more per year.**

*(Developed jointly with Legislature in FY2001.)*

**Current Status:**

During calendar year 1999 (the most current information available), the harvest value of the hatchery reared salmon was \$46.8M. Preliminary Alaska Department of Fish & Game figures for the 2000 season put the number somewhere around \$62.7, making it the fifth largest contribution since the inception of the program.

**Benchmark:**

There is no comparable program.

**Background and Strategies:**

In 1976, the Alaska Legislature responded to the need for increased production of salmon by creating the Fisheries Enhancement Revolving Loan Fund (FERLF). The purpose of this program was to promote enhancement of the State's fisheries. This division will continue to promote this enhancement by:

- Granting long-term, low interest loans for hatchery planning, construction and operation.
- Providing grants to Regional Corporations for organization and planning purposes.
- Work with hatcheries to insure that adequate funds are available for their continued operation.

### Status of FY2001 Performance Measures

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon<br/>to tell</i> | <i>Not likely<br/>to achieve</i> | <i>Needs<br/>modification</i> |
|---|-----------------|-----------------|-----------------------------|----------------------------------|-------------------------------|
| <ul style="list-style-type: none"> <li>Small Business Economic Development Revolving Loan Fund - Create or save at least one job for every \$10K loaned in this program.</li> <li>Commercial Fishing Revolving Loan Fund - Maintain the proportion of commercial fishing permits held by Alaskans at 75% or higher.</li> <li>Fisheries Enhancement Revolving Loan Fund - Provide hatchery reared salmon to Alaska commercial fisheries at a harvest value of \$40M or more per year.</li> </ul> |                 |                 | X<br><br><br>X<br><br><br>X |                                  |                               |



## Investments

### Component Financial Summary

All dollars in thousands

|  | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                    |                |                   |                 |
| <b>Component Expenditures:</b>                 |                |                   |                 |
| 71000 Personal Services                        | 2,275.5        | 2,430.7           | 2,373.1         |
| 72000 Travel                                   | 62.0           | 31.2              | 31.2            |
| 73000 Contractual                              | 605.5          | 637.0             | 889.4           |
| 74000 Supplies                                 | 100.1          | 37.9              | 37.9            |
| 75000 Equipment                                | 63.9           | 4.8               | 4.8             |
| 76000 Land/Buildings                           | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                           | 210.0          | 220.0             | 20.0            |
| 78000 Miscellaneous                            | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                      | <b>3,317.0</b> | <b>3,361.6</b>    | <b>3,356.4</b>  |
| <b>Funding Sources:</b>                        |                |                   |                 |
| 1007 Inter-Agency Receipts                     | 81.2           | 48.1              | 48.9            |
| 1035 Veterans Revolving Loan Fund              | 147.8          | 150.7             | 107.4           |
| 1036 Commercial Fishing Loan Fund              | 2,597.2        | 2,661.4           | 2,698.8         |
| 1057 Small Business Loan Fund                  | 3.3            | 3.3               | 3.4             |
| 1067 Mining Revolving Loan Fund                | 5.0            | 5.0               | 5.1             |
| 1068 Child Care Revolving Loan Fund            | 5.8            | 5.8               | 6.0             |
| 1069 Historical District Revolving Loan Fund   | 2.5            | 2.5               | 2.5             |
| 1070 Fisheries Enhancement Revolving Loan Fund | 325.5          | 333.1             | 332.6           |
| 1071 Alternative Energy Revolving Loan Fund    | 148.7          | 151.7             | 151.7           |
| <b>Funding Totals</b>                          | <b>3,317.0</b> | <b>3,361.6</b>    | <b>3,356.4</b>  |

### Estimated Revenue Collections

| Description                             | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|---|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>            |                        |                |                   |                      |                 |                 |
| General Fund Program Receipts           | 51060                  | 56.5           | 59.6              | 59.9                 | 62.6            | 62.6            |
| Veterans Revolving Loan Fund            | 51095                  | 0.0            | 0.0               | 0.9                  | 1.3             | 1.3             |
| Commercial Fishing Loan Fund            | 51100                  | 7,652.4        | 5,602.8           | 4,043.0              | 3,801.2         | 3,801.2         |
| Small Business Loan Fund                | 51180                  | 353.9          | 578.7             | 433.8                | 635.3           | 635.3           |
| Mining Revolving Loan Fund              | 51230                  | 80.4           | 54.8              | 2.0                  | 2.6             | 2.6             |
| Child Care Revolving Loan Fund          | 51235                  | 33.4           | 19.8              | 16.0                 | 18.1            | 18.1            |
| Historical District Revolving Loan Fund | 51240                  | 96.0           | 14.7              | 11.3                 | 13.0            | 13.0            |
| Fisheries Enhance. Revolving Loan Fund  | 51245                  | 5,736.7        | 1,022.8           | 1,357.1              | 2,614.4         | 3,614.4         |

| Description                             | Master Revenue Account | FY2000 Actuals  | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|---|------------------------|-----------------|-------------------|----------------------|-----------------|-----------------|
| Alternative Energy Revolving Loan Fund  | 51250                  | 137.0           | 22.9              | 9.7                  | 0.0             | 0.0             |
| Rural Development Initiative Fund       | 51387                  | 10.7            | 26.4              | 0.0                  | 0.0             | 0.0             |
| Unrestricted Fund                       | 68515                  | 7,119.2         | 5,656.1           | 6,788.1              | 7,545.5         | 7,545.5         |
| <b>Unrestricted Total</b>               |                        | <b>21,276.2</b> | <b>13,058.6</b>   | <b>12,721.8</b>      | <b>14,694.0</b> | <b>15,694.0</b> |
| <b>Restricted Revenues</b>              |                        |                 |                   |                      |                 |                 |
| Interagency Receipts                    | 51015                  | 81.2            | 48.1              | 48.1                 | 48.9            | 48.9            |
| Veterans Revolving Loan Fund            | 51095                  | 147.8           | 150.7             | 150.7                | 107.4           | 107.4           |
| Commercial Fishing Loan Fund            | 51100                  | 2,597.2         | 2,661.4           | 2,661.4              | 2,698.8         | 2,698.8         |
| Small Business Loan Fund                | 51180                  | 3.3             | 3.3               | 3.3                  | 3.4             | 3.4             |
| Mining Revolving Loan Fund              | 51230                  | 5.0             | 5.0               | 5.0                  | 5.1             | 5.1             |
| Child Care Revolving Loan Fund          | 51235                  | 5.8             | 5.8               | 5.8                  | 6.0             | 6.0             |
| Historical District Revolving Loan Fund | 51240                  | 2.5             | 2.5               | 2.5                  | 2.5             | 2.5             |
| Fisheries Enhance. Revolving Loan Fund  | 51245                  | 325.5           | 333.1             | 333.1                | 332.6           | 332.6           |
| Alternative Energy Revolving Loan Fund  | 51250                  | 148.7           | 151.7             | 151.7                | 151.7           | 151.7           |
| <b>Restricted Total</b>                 |                        | <b>3,317.0</b>  | <b>3,361.6</b>    | <b>3,361.6</b>       | <b>3,356.4</b>  | <b>3,356.4</b>  |
| <b>Total Estimated Revenues</b>         |                        | <b>24,593.2</b> | <b>16,420.2</b>   | <b>16,083.4</b>      | <b>18,050.4</b> | <b>19,050.4</b> |

## Investments

## Proposed Changes in Levels of Service for FY2002

None.

**Summary of Component Budget Changes**  
**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

|   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>  | <b>0.0</b>           | <b>0.0</b>           | <b>3,361.6</b>     | <b>3,361.6</b>     |
| <b>Adjustments which get you to start of year:</b>                |                      |                      |                    |                    |
| -Update Executive Administration and Support Cost Allocation Plan | 0.0                  | 0.0                  | -22.5              | -22.5              |
| <b>Adjustments which will continue current level of service:</b>  |                      |                      |                    |                    |
| -Year 2 Labor Costs - Net Change from Fy 2001                     | 0.0                  | 0.0                  | 17.3               | 17.3               |
| <b>FY2002 Governor</b>  | <b>0.0</b>           | <b>0.0</b>           | <b>3,356.4</b>     | <b>3,356.4</b>     |

## Investments

## Personal Services Information

| Authorized Positions |                              |                            | Personal Services Costs          |                  |
|----------------------|------------------------------|----------------------------|----------------------------------|------------------|
|                      | <b>FY2001<br/>Authorized</b> | <b>FY2002<br/>Governor</b> |                                  |                  |
| Full-time            | 44                           | 44                         | Annual Salaries                  | 1,806,687        |
| Part-time            | 0                            | 0                          | COLA                             | 25,746           |
| Nonpermanent         | 0                            | 0                          | Premium Pay                      | 0                |
|                      |                              |                            | Annual Benefits                  | 651,396          |
|                      |                              |                            | <i>Less 4.46% Vacancy Factor</i> | (110,729)        |
|                      |                              |                            | Lump Sum Premium Pay             | 0                |
| <b>Totals</b>        | <b>44</b>                    | <b>44</b>                  | <b>Total Personal Services</b>   | <b>2,373,100</b> |

## Position Classification Summary

| Job Class Title          | Anchorage | Fairbanks | Juneau    | Others   | Total     |
|--------------------------|-----------|-----------|-----------|----------|-----------|
| Accountant III           | 0         | 0         | 1         | 0        | 1         |
| Accounting Spvr I        | 0         | 0         | 1         | 0        | 1         |
| Accounting Tech I        | 0         | 0         | 5         | 0        | 5         |
| Accounting Tech II       | 0         | 0         | 2         | 0        | 2         |
| Accounting Tech III      | 0         | 0         | 3         | 0        | 3         |
| Administrative Clerk I   | 0         | 0         | 1         | 0        | 1         |
| Administrative Clerk II  | 0         | 0         | 2         | 0        | 2         |
| Administrative Clerk III | 1         | 0         | 1         | 0        | 2         |
| Administrative Manager I | 0         | 0         | 1         | 0        | 1         |
| Analyst/Programmer II    | 0         | 0         | 1         | 0        | 1         |
| Analyst/Programmer III   | 0         | 0         | 1         | 0        | 1         |
| Analyst/Programmer IV    | 0         | 0         | 1         | 0        | 1         |
| Division Director        | 0         | 0         | 1         | 0        | 1         |
| Loan Closer I            | 1         | 0         | 5         | 0        | 6         |
| Loan Closer II           | 0         | 0         | 1         | 0        | 1         |
| Loan/Collection Manager  | 0         | 0         | 2         | 0        | 2         |
| Loan/Collection Off I    | 2         | 0         | 4         | 0        | 6         |
| Loan/Collection Off II   | 1         | 0         | 4         | 0        | 5         |
| Micro/Network Tech I     | 0         | 0         | 1         | 0        | 1         |
| Secretary                | 0         | 0         | 1         | 0        | 1         |
| <b>Totals</b>            | <b>5</b>  | <b>0</b>  | <b>39</b> | <b>0</b> | <b>44</b> |

## **Alaska Aerospace Development Corporation Budget Request Unit**

**Contact: Pat Ladner, Executive Director**

**Tel:** (907) 561-3338 **Fax:** (907) 561-3339 **E-mail:** pat.ladner@akaerospace.com

### **BRU Mission**

To promote aerospace related economic growth and to develop corresponding technologies and support services.

### **BRU Services Provided**

Provide rocket launch services to government and commercial customers, assist university, federal, and private organizations in developing aerospace technologies, provide educational opportunities within the state and promote Alaska as the ideal location for aerospace activities.

### **BRU Goals and Strategies**

Guide existing programs to demonstrate success at the Kodiak Launch Complex, and as such, garner new launch contracts providing long-term Alaska business.

Encourage commercial ground station development in Fairbanks due to expanding remote sensing industry and advanced imagery processes.

To continue development of KLC.

- Promote use of Alaska's spaceport while continuing to secure and broaden the KLC launch customer base.
- Continue implementation of marketing and commercialization of KLC.
- Install two range safety systems; one at KLC and second down range (Cordova is targeted location).
- Proactively explore KLC site development opportunities in national and commercial arenas.

To increase local opportunities to support aerospace activities.

- Continue to encourage local opportunities to support launch operations.
- Encourage aerospace industry to develop ongoing business presence within the State.
- Utilize local contractors to support launch missions from the KLC.
- Begin acquiring necessary components to develop a short-term and long-term land use plan at KLC site; promoting spin-off resources to support launch customers.

To provide educational opportunities throughout the state.

- Encourage launch customers to visit local schools and provide educational information related to launch missions from the KLC.
- Develop curriculum to conduct school hands-on tours of KLC.
- Research opportunities to create a student mentorship program.

Fully activate KLC facilities making it a totally self-sufficient, all-weather spaceport for suborbital and orbiting vehicles.

Effectively demonstrate KLC's assets, features and benefits as Alaska's ability to redefine launch services in the US; providing cost effective access to space.

To manage the KLC facilities in a cost-effective manner utilizing a combination of staff support and contractual launch support services.

### **Key BRU Issues for FY2001 – 2002**

See components.

## **Major BRU Accomplishments for FY2000**

See components.

## Alaska Aerospace Development Corporation

## BRU Financial Summary by Component

*All dollars in thousands*

|                                      | FY2000 Actuals |               |              |              | FY2001 Authorized |               |                |                | FY2002 Governor |               |                |                |
|--------------------------------------|----------------|---------------|--------------|--------------|-------------------|---------------|----------------|----------------|-----------------|---------------|----------------|----------------|
|                                      | General Funds  | Federal Funds | Other Funds  | Total Funds  | General Funds     | Federal Funds | Other Funds    | Total Funds    | General Funds   | Federal Funds | Other Funds    | Total Funds    |
| <b>Formula Expenditures</b><br>None. |                |               |              |              |                   |               |                |                |                 |               |                |                |
| <b>Non-Formula Expenditures</b>      |                |               |              |              |                   |               |                |                |                 |               |                |                |
| AADC Language                        | 0.0            | 0.0           | 0.0          | 0.0          | 0.0               | 0.0           | 200.0          | 200.0          | 0.0             | 0.0           | 2,800.0        | 2,800.0        |
| AK Aerospace Development Corp        | 0.0            | 0.0           | 758.4        | 758.4        | 0.0               | 0.0           | 743.0          | 743.0          | 0.0             | 0.0           | 858.1          | 858.1          |
| AADC Facilities Maintenance          | 0.0            | 0.0           | 0.0          | 0.0          | 0.0               | 0.0           | 897.4          | 897.4          | 0.0             | 0.0           | 1,291.1        | 1,291.1        |
| <b>Totals</b>                        | <b>0.0</b>     | <b>0.0</b>    | <b>758.4</b> | <b>758.4</b> | <b>0.0</b>        | <b>0.0</b>    | <b>1,840.4</b> | <b>1,840.4</b> | <b>0.0</b>      | <b>0.0</b>    | <b>4,949.2</b> | <b>4,949.2</b> |

## Alaska Aerospace Development Corporation

### Proposed Changes in Levels of Service for FY2002

- New Positions and Related Expenses -- With the launch site transitioning from a construction project to a revenue producing enterprise, the AADC Board of Directors has determined the need for additional staff to support the administrative, operational and maintenance demands of the Corporation. Increments are requested that would fund two positions in Anchorage: Deputy Director and a Procurement Specialist; and four positions at the Kodiak Launch Complex: Facilities Engineer, Mechanical Technician, Documentation Specialist, and Secretary. Increased contractual services authorization is also sought due to additional launch activities and an increase in the insurance costs. Funding source is AADC corporate receipts.
- AADC Facilities Maintenance Fund Source Change -- This budget component was established in the FY 2001 budget to accurately capture the costs of the Kodiak Launch Complex (KLC). In FY 2001 federal funds have been utilized to fund a portion of operations of KLC as it moved from construction phase to operational phase of the project. The construction project is complete in FY 2001. Since the KLC will be in its operational phase in FY2002, administrative costs of running the facility will be paid from AADC corporate receipts.

## Alaska Aerospace Development Corporation

### Summary of BRU Budget Changes by Component

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>1,840.4</b>     | <b>1,840.4</b>     |
| <b>Adjustments which get you to start of year:</b>               |                      |                      |                    |                    |
| -AK Aerospace Development Corp                                   | 0.0                  | 0.0                  | -1.3               | -1.3               |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -AK Aerospace Development Corp                                   | 0.0                  | 0.0                  | -86.3              | -86.3              |
| -AADC Facilities Maintenance                                     | 0.0                  | 0.0                  | 103.2              | 103.2              |
| <b>Proposed budget increases:</b>                                |                      |                      |                    |                    |
| -AADC Language   | 0.0                  | 0.0                  | 2,600.0            | 2,600.0            |
| -AK Aerospace Development Corp                                   | 0.0                  | 0.0                  | 202.7              | 202.7              |
| -AADC Facilities Maintenance                                     | 0.0                  | 0.0                  | 290.5              | 290.5              |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>4,949.2</b>     | <b>4,949.2</b>     |



**Component: AADC Language**

**Contact: Pat Ladner, Executive Director**

**Tel:** (907) 561-3338 **Fax:** (907) 561-3339 **E-mail:** pat.ladner@akaerospace.com

**Component Mission**

See Alaska Aerospace Development Corporation.

**Component Services Provided**

No services provided.

**Component Goals and Strategies**

No goals and strategies.

**Key Component Issues for FY2001 – 2002**

No key issues.

**Major Component Accomplishments for FY2000**

No major accomplishments.

**Statutory and Regulatory Authority**

No statutes and regulations.

## AADC Language

### Component Financial Summary

*All dollars in thousands*

|  | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                            |                |                   |                 |
| <b>Component Expenditures:</b>                         |                |                   |                 |
| 71000 Personal Services                                | 0.0            | 0.0               | 0.0             |
| 72000 Travel   | 0.0            | 0.0               | 0.0             |
| 73000 Contractual                                      | 0.0            | 0.0               | 0.0             |
| 74000 Supplies   | 0.0            | 0.0               | 0.0             |
| 75000 Equipment  | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings                                   | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                                   | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                                    | 0.0            | 200.0             | 2,800.0         |
| <b>Expenditure Totals</b>                              | <b>0.0</b>     | <b>200.0</b>      | <b>2,800.0</b>  |
| <b>Funding Sources:</b>                                |                |                   |                 |
| 1101 Alaska Aerospace Development Corporation Receipts | 0.0            | 200.0             | 2,800.0         |
| <b>Funding Totals</b>                                  | <b>0.0</b>     | <b>200.0</b>      | <b>2,800.0</b>  |

### Estimated Revenue Collections

| Description                              | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|--|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>             |                        |                |                   |                      |                 |                 |
| None.                                    |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>                |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>               |                        |                |                   |                      |                 |                 |
| Aerospace Development Corporate Receipts | 51416                  | 0.0            | 0.0               | 0.0                  | 2,800.0         | 0.0             |
| <b>Restricted Total</b>                  |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>2,800.0</b>  | <b>0.0</b>      |
| <b>Total Estimated Revenues</b>          |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>2,800.0</b>  | <b>0.0</b>      |

**AADC Language****Proposed Changes in Levels of Service for FY2002**

No service changes.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|                                   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|-----------------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>          | <b>0.0</b>           | <b>0.0</b>           | <b>200.0</b>       | <b>200.0</b>       |
| <b>Proposed budget increases:</b> |                      |                      |                    |                    |
| -FY 2002 Carryforward Estimate    | 0.0                  | 0.0                  | 2,600.0            | 2,600.0            |
| <b>FY2002 Governor</b>            | <b>0.0</b>           | <b>0.0</b>           | <b>2,800.0</b>     | <b>2,800.0</b>     |

## **Component: Alaska Aerospace Development Corporation**

**Contact: Pat Ladner, Executive Director**

**Tel:** (907) 561-3338 **Fax:** (907) 561-3339 **E-mail:** pat.ladner@akaerospace.com

### **Component Mission**

To promote aerospace related economic growth and to develop corresponding technologies and support services.

### **Component Services Provided**

Provide rocket launch services to government and commercial customers, assist university, federal, and private organizations in developing aerospace technologies, provide educational opportunities within the state and promote Alaska as the ideal location for aerospace activities.

### **Component Goals and Strategies**

Guide existing programs to demonstrate success at the Kodiak Launch Complex, and as such, garner new launch contracts providing long-term Alaska business.

Encourage commercial ground station development in Fairbanks due to expanding remote sensing industry and advanced imagery processes.

To continue development of KLC.

- Promote use of Alaska's spaceport while continuing to secure and broaden the KLC launch customer base.
- Continue implementation of marketing and commercialization of KLC.
- Install two range safety systems - one at KLC and a second down range (Cordova is targeted location).
- Proactively explore KLC site development opportunities in national and commercial arenas.

To increase local opportunities to support aerospace activities.

- Continue to encourage local opportunities to support launch operations.
- Encourage aerospace industry to develop ongoing business presence within the State.
- Utilize local contractors to support launch missions from the KLC.
- Begin acquiring necessary components to develop a short-term and long-term land use plan at KLC site; promoting spin-off resources to support launch customers.

To provide educational opportunities throughout the state.

- Encourage launch customers to visit local schools and provide educational information related to launch missions from the KLC.
- Develop curriculum to conduct school hands-on tours of KLC.
- Research opportunities to create a student mentorship program.

### **Key Component Issues for FY2001 – 2002**

AADC will focus on marketing the Kodiak Launch Complex. AADC has just transitioned the facility from construction to operations and will bring online the operations and maintenance functions to support current and future launch customers.

### **Major Component Accomplishments for FY2000**

- Successfully complete two contracted launches; Lockheed Martin Corporation's Athena Launch/August '01 and US Army's Generic Rest of World (GROW) Risk Reduction Flight/Sept '01.
- Completed construction of the Kodiak Launch Complex (KLC).

- Successfully negotiated and signed contract for US Air Force launch, Quick Reaction Launch Vehicle (QRLV)/March '01.
- Negotiated contract for US Army launch in May '01, West Coast Risk Reduction Flight (WC RRF); first launch of multi-year/multi-launch Strategic Target System (STARS) contract.
- Received funding for additional infrastructure and equipment, communications and a second range safety system for the KLC.
- Entered into launch services support contract negotiations with local strategic program management company to provide ongoing KLC launch operations support.
- Developed KLC Marketing Plan identifying goals and potential missions, promoting customer interface and seeking launch contract awards.
- Executed contracts for AADC Technical Director and public relations firm (components of the ASTF KLC Marketing Grant) to provide industry technical expertise and market the KLC to potential commercial users.
- Conducted numerous commercial, government as well as national and local media briefing tours at the KLC.
- Updated KLC Business Plan to demonstrate positive contribution of Alaska's spaceport in the launch infrastructure needs of the United States.
- Worked with Anchorage based company to examine possibilities of locating a housing complex near the KLC on private property to support launch personnel.
- Sought approval to hire additional permanent staff member in Anchorage; Contract/Procurement Specialist.

### **Statutory and Regulatory Authority**

AS 14.40-821-990 Alaska Aerospace Development Corporation

### **Key Performance Measures for FY2002**

#### **Measure: Successfully complete 4 launches from the Kodiak Launch Complex (KLC) in FY02.**

*(Revised from Legislature's FY2001 version.)*

##### **Current Status:**

AADC is targeting four launches for FY2002; one for Lockheed Martin in August 2001, one for the Air Force and two for the US Army in FY02. Contract negotiations are complete with Lockheed and preliminary contracts have been developed for the government missions.

##### **Benchmark:**

Being developed. The KLC is the first facility of its kind - the only complete launch complex owned and operated by a state.

##### **Background and Strategies:**

There have been two launches from the KLC - one in FY99, one in FY00 and two projected in FY01. Lockheed Martin's Athena will be the first commercial vehicle to be launched from the KLC in August 2001.

AADC received a marketing/commercialization grant from the Alaska Science and Technology Foundation to be expended over a three-year period. The purpose of the grant is to reach out to as many potential customers as possible and solidify launch contracts for the KLC. A technical marketing component of the grant will assist in contract development and negotiation as well as explore KLC enhancements that could broaden the customer base.

#### **Measure: Demonstrate economic impact from KLC launch activities of at least \$2 million in FY02.**

*(Revised from Legislature's FY2001 version.)*

##### **Current Status:**

The University of Alaska Anchorage, Institute of Social and Economic Research (ISER) performed an analysis of the inaugural launch from the KLC. Based on actual expenditures, ISER determined the total economic effect for the state to be \$1.3 million in sales and \$450,000 in payroll.

**Benchmark:**

Being developed. There is no data available for comparison from other states.

**Background and Strategies:**

There is a direct relationship between the number of launches from the KLC and the economic benefit to the State of Alaska. AADC will continue to promote utilization of the facility and monitor the economic benefits that result. AADC will also encourage use of local resources for supplies and services to maximize the effect within the state.

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon<br/>to tell</i>    | <i>Not likely<br/>to achieve</i> | <i>Needs<br/>modification</i> |
|---|-----------------|-----------------|--------------------------------|----------------------------------|-------------------------------|
| <ul style="list-style-type: none"> <li>• Increase the number of launches from the Kodiak Launch Complex (KLC) to at least two in FY01.</li> <li>• Demonstrate economic impact from KLC launch activities of at least \$2 million in FY01.</li> <li>• The excess earnings (or dividend) per launch.</li> <li>• The new permanent jobs created</li> <li>• The number of launches per year.</li> <li>• The new space-related technologies brought to the state.</li> <li>• The economic impact of launch activities expressed in dollars.</li> </ul> |                 | X               | X<br><br>X<br>X<br>X<br>X<br>X |                                  |                               |

## Alaska Aerospace Development Corporation

## Component Financial Summary

All dollars in thousands

|  | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                            |                |                   |                 |
| <b>Component Expenditures:</b>                         |                |                   |                 |
| 71000 Personal Services                                | 450.4          | 468.6             | 566.4           |
| 72000 Travel   | 39.3           | 58.0              | 66.7            |
| 73000 Contractual                                      | 252.5          | 200.4             | 207.0           |
| 74000 Supplies   | 6.6            | 6.0               | 7.0             |
| 75000 Equipment  | 9.6            | 10.0              | 11.0            |
| 76000 Land/Buildings                                   | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                                   | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                                    | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                              | <b>758.4</b>   | <b>743.0</b>      | <b>858.1</b>    |
| <b>Funding Sources:</b>                                |                |                   |                 |
| 1025 Science & Technology Endowment Income             | 555.2          | 557.0             | 497.0           |
| 1061 Capital Improvement Project Receipts              | 160.0          | 142.8             | 110.4           |
| 1101 Alaska Aerospace Development Corporation Receipts | 43.2           | 43.2              | 250.7           |
| <b>Funding Totals</b>                                  | <b>758.4</b>   | <b>743.0</b>      | <b>858.1</b>    |

## Estimated Revenue Collections

| Description                              | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|--|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>             |                        |                |                   |                      |                 |                 |
| None.                                    |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>                |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>               |                        |                |                   |                      |                 |                 |
| Capital Improvement Project Receipts     | 51200                  | 160.0          | 142.8             | 118.2                | 110.4           | 120.0           |
| Science/Technology Endowment Income      | 51375                  | 555.2          | 557.0             | 489.5                | 497.0           | 497.0           |
| Aerospace Development Corporate Receipts | 51416                  | 43.2           | 43.2              | 42.5                 | 250.7           | 350.0           |
| <b>Restricted Total</b>                  |                        | <b>758.4</b>   | <b>743.0</b>      | <b>650.2</b>         | <b>858.1</b>    | <b>967.0</b>    |
| <b>Total Estimated Revenues</b>          |                        | <b>758.4</b>   | <b>743.0</b>      | <b>650.2</b>         | <b>858.1</b>    | <b>967.0</b>    |

## Alaska Aerospace Development Corporation

### Proposed Changes in Levels of Service for FY2002

- With the launch site transitioning from a construction project to a revenue producing enterprise, the AADC Board of Directors has determined the need for additional staff to support the administrative, operational and maintenance demands of the Corporation. Increments are requested that would fund two positions in Anchorage: Deputy Director and a Procurement Specialist. Funding source is AADC corporate receipts.

### Summary of Component Budget Changes

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>743.0</b>       | <b>743.0</b>       |
| <b>Adjustments which get you to start of year:</b>                         |                      |                      |                    |                    |
| -Update Executive Administration and Support Cost Allocation Plan          | 0.0                  | 0.0                  | -1.3               | -1.3               |
| <b>Adjustments which will continue current level of service:</b>           |                      |                      |                    |                    |
| -PCN 08-0502 transfer to AADC Facilities Maintenance component ADN 0810062 | 0.0                  | 0.0                  | -92.8              | -92.8              |
| -Year 2 Labor Costs - Net Change from Fy 2001                              | 0.0                  | 0.0                  | 6.5                | 6.5                |
| <b>Proposed budget increases:</b>  |                      |                      |                    |                    |
| -New Positions and Related Expenses  | 0.0                  | 0.0                  | 202.7              | 202.7              |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>858.1</b>       | <b>858.1</b>       |



## Alaska Aerospace Development Corporation

## Personal Services Information

| Authorized Positions |                      |                    | Personal Services Costs          |                |
|----------------------|----------------------|--------------------|----------------------------------|----------------|
|                      | FY2001<br>Authorized | FY2002<br>Governor |                                  |                |
| Full-time            | 6                    | 7                  | Annual Salaries                  | 435,156        |
| Part-time            | 0                    | 0                  | COLA                             | 10,211         |
| Nonpermanent         | 0                    | 0                  | Premium Pay                      | 8,870          |
|                      |                      |                    | Annual Benefits                  | 129,658        |
|                      |                      |                    | <i>Less 3.00% Vacancy Factor</i> | (17,495)       |
|                      |                      |                    | Lump Sum Premium Pay             | 0              |
| <b>Totals</b>        | <b>6</b>             | <b>7</b>           | <b>Total Personal Services</b>   | <b>566,400</b> |

## Position Classification Summary

| Job Class Title            | Anchorage | Fairbanks | Juneau   | Others   | Total    |
|----------------------------|-----------|-----------|----------|----------|----------|
| AADC Office Manager        | 1         | 0         | 0        | 0        | 1        |
| Accounting Technician      | 1         | 0         | 0        | 0        | 1        |
| Deputy Director            | 1         | 0         | 0        | 0        | 1        |
| Dir Of Business Operations | 1         | 0         | 0        | 0        | 1        |
| Executive Director         | 1         | 0         | 0        | 0        | 1        |
| Procurement Spec V         | 1         | 0         | 0        | 0        | 1        |
| Secretary                  | 1         | 0         | 0        | 0        | 1        |
| <b>Totals</b>              | <b>7</b>  | <b>0</b>  | <b>0</b> | <b>0</b> | <b>7</b> |

## **Component: Alaska Aerospace Development Corporation Facilities Maintenance**

**Contact: Pat Ladner, Executive Director**

**Tel:** (907) 561-3338 **Fax:** (907) 561-3339 **E-mail:** pat.ladner@akaerospace.com

### **Component Mission**

To oversee the operation and maintenance of the Kodiak Launch Complex.

### **Component Services Provided**

The purpose of this component is to provide for the operations, maintenance and repair costs of the Kodiak Launch Complex.

### **Component Goals and Strategies**

Fully activate KLC facilities making it a totally self-sufficient, all-weather spaceport for suborbital and orbiting vehicles.

Effectively demonstrate KLC's assets, features and benefits as Alaska's ability to redefine launch services in the US; providing cost effective access to space.

To manage the KLC facilities in a cost-effective manner utilizing a combination of staff support and contractual launch support services.

### **Key Component Issues for FY2001 – 2002**

AADC will focus on managing the Kodiak Launch Complex operations and maintenance in a cost-effective manner utilizing a combination of staff support and contractual launch support services.

### **Major Component Accomplishments for FY2000**

- Brought the KLC facility to activation.
- Participated in successful electrical and mechanical pathfinders for the QRLV mission.
- Participated in successful mechanical pathfinder to support the first STARS mission.
- Successfully supported customer needs to complete two launches; US Air Force QRLV and US Army STARS.
- Managed the KLC in a cost-effective manner.
- Prepared KLC user documentation detailing range capabilities.
- Sought approval to hire two additional permanent Kodiak staff members; KLC Facility Engineer and KLC Mechanical Engineer/Payload Processing Facility.

### **Statutory and Regulatory Authority**

AS 14.40-821-990 Alaska Aerospace Development Corporation, AS 37.07.020

## Alaska Aerospace Development Corporation Facilities Maintenance

## Component Financial Summary

All dollars in thousands

|  | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                            |                |                   |                 |
| <b>Component Expenditures:</b>                         |                |                   |                 |
| 71000 Personal Services                                | 0.0            | 166.5             | 519.7           |
| 72000 Travel   | 0.0            | 0.0               | 9.0             |
| 73000 Contractual                                      | 0.0            | 690.9             | 702.8           |
| 74000 Supplies   | 0.0            | 40.0              | 47.0            |
| 75000 Equipment  | 0.0            | 0.0               | 12.6            |
| 76000 Land/Buildings                                   | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                                   | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                                    | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                              | <b>0.0</b>     | <b>897.4</b>      | <b>1,291.1</b>  |
| <b>Funding Sources:</b>                                |                |                   |                 |
| 1025 Science & Technology Endowment Income             | 0.0            | 0.0               | 69.2            |
| 1061 Capital Improvement Project Receipts              | 0.0            | 897.4             | 72.0            |
| 1101 Alaska Aerospace Development Corporation Receipts | 0.0            | 0.0               | 1,149.9         |
| <b>Funding Totals</b>                                  | <b>0.0</b>     | <b>897.4</b>      | <b>1,291.1</b>  |

## Estimated Revenue Collections

| Description                              | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|--|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>             |                        |                |                   |                      |                 |                 |
| None.                                    |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>                |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>               |                        |                |                   |                      |                 |                 |
| Capital Improvement Project Receipts     | 51200                  | 0.0            | 897.4             | 922.0                | 72.0            | 95.0            |
| Science/Technology Endowment Income      | 51375                  | 0.0            | 0.0               | 67.5                 | 69.2            | 69.2            |
| Aerospace Development Corporate Receipts | 51416                  | 0.0            | 0.0               | 0.7                  | 1,149.9         | 1,500.0         |
| <b>Restricted Total</b>                  |                        | <b>0.0</b>     | <b>897.4</b>      | <b>990.2</b>         | <b>1,291.1</b>  | <b>1,664.2</b>  |
| <b>Total Estimated Revenues</b>          |                        | <b>0.0</b>     | <b>897.4</b>      | <b>990.2</b>         | <b>1,291.1</b>  | <b>1,664.2</b>  |

## Alaska Aerospace Development Corporation Facilities Maintenance

### Proposed Changes in Levels of Service for FY2002

· New Positions and Related Expenses -- With the launch site transitioning from a construction project to a revenue producing enterprise, the AADC Board of Directors has determined the need for additional staff to support the administrative, operational and maintenance demands of the Corporation. Increments are requested that would fund four positions at the Kodiak Launch Complex: Facilities Engineer, Mechanical Technician, Documentation Specialist, and Secretary. Increased contractual services authorization is also sought due to additional launch activities and an increase in the insurance costs. Funding source is AADC corporate receipts.

· AADC Facilities Maintenance Fund Source Change -- This budget component was established in the FY 2001 budget to accurately capture the costs of the Kodiak Launch Complex (KLC). In FY 2001 federal funds have been utilized to fund a portion of operations of KLC as it moved from construction phase to operational phase of the project. The construction project is complete in FY 2001. Since the KLC will be in its operational phase in FY2002, administrative costs of running the facility will be paid from AADC corporate receipts.

### Summary of Component Budget Changes

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>897.4</b>       | <b>897.4</b>       |
| <b>Adjustments which will continue current level of service:</b>           |                      |                      |                    |                    |
| -PCN 08-0502 transfer to AADC Facilities Maintenance component ADN 0810062 | 0.0                  | 0.0                  | 92.8               | 92.8               |
| -Year 2 Labor Costs - Net Change from Fy 2001                              | 0.0                  | 0.0                  | 10.4               | 10.4               |
| <b>Proposed budget increases:</b>  |                      |                      |                    |                    |
| -New Positions and Related Expenses  | 0.0                  | 0.0                  | 290.5              | 290.5              |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>1,291.1</b>     | <b>1,291.1</b>     |

## Alaska Aerospace Development Corporation Facilities Maintenance

## Personal Services Information

| Authorized Positions |                      |                    | Personal Services Costs          |                |
|----------------------|----------------------|--------------------|----------------------------------|----------------|
|                      | FY2001<br>Authorized | FY2002<br>Governor |                                  |                |
| Full-time            | 2                    | 7                  | Annual Salaries                  | 401,900        |
| Part-time            | 0                    | 0                  | COLA                             | 9,041          |
| Nonpermanent         | 0                    | 0                  | Premium Pay                      | 0              |
|                      |                      |                    | Annual Benefits                  | 124,763        |
|                      |                      |                    | <i>Less 2.99% Vacancy Factor</i> | (16,004)       |
|                      |                      |                    | Lump Sum Premium Pay             | 0              |
| <b>Totals</b>        | <b>2</b>             | <b>7</b>           | <b>Total Personal Services</b>   | <b>519,700</b> |

## Position Classification Summary

| Job Class Title                | Anchorage | Fairbanks | Juneau   | Others   | Total    |
|--------------------------------|-----------|-----------|----------|----------|----------|
| Documentation Specialist       | 0         | 0         | 0        | 1        | 1        |
| KLC Electrical Maintenance Spv | 0         | 0         | 0        | 1        | 1        |
| KLC Facility Engineer          | 0         | 0         | 0        | 1        | 1        |
| KLC Mechanical Maintenance Spv | 0         | 0         | 0        | 1        | 1        |
| KLC Site Manager               | 0         | 0         | 0        | 1        | 1        |
| Maintenance Technician         | 0         | 0         | 0        | 1        | 1        |
| Secretary                      | 0         | 0         | 0        | 1        | 1        |
| <b>Totals</b>                  | <b>0</b>  | <b>0</b>  | <b>0</b> | <b>7</b> | <b>7</b> |

## **Alaska Industrial Development and Export Authority Budget Request Unit**

**Contact: Robert G. Poe, Jr., Executive Director**

**Tel:** (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

### **BRU Mission**

To encourage economic growth and diversification of the economy.

### **BRU Services Provided**

AIDEA acts as an economic development catalyst by providing capital at a reasonable cost for Alaskan businesses, with emphasis on projects that create new jobs and economic activity in the private sector. AIDEA is a primary source of secondary financing in the state for business loans made by financial institutions. The loans are serviced by the banks, thereby limiting staffing requirements at AIDEA. The Authority can also own and operate specific development projects that enhance the economy of the state and support private sector investment. The Authority can also act as a conduit for the issuance of both taxable and tax-exempt bonds for specific business development projects. For small businesses, AIDEA has a Business and Export Assistance program, which provides loan guarantees, with particular emphasis on businesses in rural Alaska.

Bonds sold for AIDEA projects are the general obligation of AIDEA and do not have the expressed moral obligation of the State of Alaska.

All staffing for Alaska Energy Authority (AEA) functions is provided by AIDEA. As the owner of six hydroelectric plants and the Alaska Intertie transmission line, AEA is responsible for the administrative oversight for these facilities. In addition, AIDEA staff is responsible for providing staffing for the oversight and operation of all rural and alternative energy programs and the circuit rider program of AEA.

### **BRU Goals and Strategies**

- 1) To stimulate economic development and diversification.
  - Provide business financing assistance throughout Alaska through AIDEA's Credit programs by participating in or guaranteeing bank originated loans.
  - Continue to develop, operate and maintain AIDEA owned development projects that support private sector investment and create or maintain jobs for Alaskans.
- 2) To efficiently oversee the operations and maintenance of approximately \$1 billion in electrical generation and transmission facilities owned by AEA in Alaska.
  - To the extent feasible, contract to user utilities direct operating, maintenance and repair responsibilities for the AEA owned facilities.
- 3) To effectively provide management support for the Rural and Alternative Energy Programs and the circuit rider program of AEA.

### **Key BRU Issues for FY2001 – 2002**

Provide technical assistance and financing to help businesses diversify the economy in rural Alaska.

Provide financing assistance under the Business and Export Assistance Guarantee Program, assisting small businesses and businesses in rural Alaska to obtain bank financing that otherwise may not have been available to them.

Continue to maintain the technical integrity of AEA projects.

Continue to maximize local control of AEA projects, to the extent feasible, by contracting with the operating utilities to provide operating and maintenance services.

Continue to work with the operating utilities to lower operating costs and improve efficiencies at the AEA owned hydroelectric projects.

Provide staff to operate AEA's Rural and Alternative Energy Programs.

### **Major BRU Accomplishments for FY2000**

Provided a \$26 million dividend to the State General Fund.

Purchased approximately \$30 million in loan participations originated through financial institutions for businesses and projects in Alaska, helping to expand Alaska's economic base and create jobs in Alaska.

Issued \$6.9 million in conduit financing for private sector and non-profit projects.

Completed demonstration testing and transferred oversight of the Healy Clean coal Project (HCCP) to Golden Valley Electric Association (GVEA) under a settlement agreement that ended two years of litigation between AIDEA and GVEA. GVEA and AIDEA agreed to a course of action that provides full pay back of AIDEA's investment in the HCCP and protects the interests of Interior ratepayers.

Continued to work with Cominco Alaska and the U.S. Corp of Engineers to study the potential feasibility of a deep water port at the DeLong Mountain Transportation facility (DMTS), the road and port serving the Red Dog Mine. The Red Dog Mine and the DMTS provide approximately 485 permanent, full-time jobs in the NW Arctic Borough.

Completed a revised development plan for the AIDEA-owned Ketchikan Shipyard. The proposed improvements will increase shipyard efficiency and production capacity and improve services, ultimately creating a more viable shipyard and increased employment. Construction is scheduled to begin in December 2000. The shipyard currently employs over 100 employees.

Completed construction on the \$125 million Alaska Seafood International manufacturing facility (ASI), and helped negotiate an organizational restructuring to provide short-term operating capital. In full production, ASI will provide 450 year-round manufacturing jobs, result in hundreds of indirect jobs, and stimulate the local economies of fishing communities by providing a reliable market for their product.

Maintained and administered AEA owned facilities; maximizing services and revenues and minimizing unscheduled outages.

Integrated personnel and finance functions of the former Division of Energy into AIDEA creating operating efficiencies and cost savings.

Continued to administer outstanding AEA long-term debt in excess of \$300 million; continued to administer special trust funds relating to the facilities.

## Alaska Industrial Development and Export Authority

## BRU Financial Summary by Component

All dollars in thousands

|                                      | FY2000 Actuals |               |                |                | FY2001 Authorized |               |                |                | FY2002 Governor |               |                |                |
|--------------------------------------|----------------|---------------|----------------|----------------|-------------------|---------------|----------------|----------------|-----------------|---------------|----------------|----------------|
|                                      | General Funds  | Federal Funds | Other Funds    | Total Funds    | General Funds     | Federal Funds | Other Funds    | Total Funds    | General Funds   | Federal Funds | Other Funds    | Total Funds    |
| <b>Formula Expenditures</b><br>None. |                |               |                |                |                   |               |                |                |                 |               |                |                |
| <b>Non-Formula Expenditures</b>      |                |               |                |                |                   |               |                |                |                 |               |                |                |
| AIDEA                                | 0.0            | 0.0           | 3,520.7        | 3,520.7        | 0.0               | 0.0           | 5,763.6        | 5,763.6        | 0.0             | 0.0           | 5,835.4        | 5,835.4        |
| AIDEA Facilities Maintenance         | 0.0            | 0.0           | 66.6           | 66.6           | 0.0               | 0.0           | 177.0          | 177.0          | 0.0             | 0.0           | 177.0          | 177.0          |
| Alaska Energy Auth Op & Maint        | 0.0            | 0.0           | 605.0          | 605.0          | 0.0               | 0.0           | 1,049.5        | 1,049.5        | 0.0             | 0.0           | 1,051.9        | 1,051.9        |
| <b>Totals</b>                        | <b>0.0</b>     | <b>0.0</b>    | <b>4,192.3</b> | <b>4,192.3</b> | <b>0.0</b>        | <b>0.0</b>    | <b>6,990.1</b> | <b>6,990.1</b> | <b>0.0</b>      | <b>0.0</b>    | <b>7,064.3</b> | <b>7,064.3</b> |



**Alaska Industrial Development and Export Authority**  
**Proposed Changes in Levels of Service for FY2002**

None.

**Alaska Industrial Development and Export Authority**  
**Summary of BRU Budget Changes by Component**  
**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>6,990.1</b>     | <b>6,990.1</b>     |
| <b>Adjustments which get you to start of year:</b>               |                      |                      |                    |                    |
| -AIDEA   | 0.0                  | 0.0                  | 9.3                | 9.3                |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -AIDEA   | 0.0                  | 0.0                  | 37.5               | 37.5               |
| <b>Proposed budget increases:</b>                                |                      |                      |                    |                    |
| -AIDEA   | 0.0                  | 0.0                  | 25.0               | 25.0               |
| -Alaska Energy Auth Op & Maint                                   | 0.0                  | 0.0                  | 2.4                | 2.4                |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>7,064.3</b>     | <b>7,064.3</b>     |

## **Component: Alaska Industrial Development and Export Authority**

**Contact: Robert G. Poe, Jr., Executive Director**

**Tel:** (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

### **Component Mission**

To create jobs through economic development and diversification.

### **Component Services Provided**

AIDEA acts as an economic development catalyst by providing capital at a reasonable cost for Alaskan businesses, with emphasis on projects that create new jobs and economic activity in the private sector. AIDEA is a primary source of secondary financing in the state for business loans made by financial institutions. The loans are serviced by the banks, thereby limiting staffing requirements at AIDEA. The Authority can also own and operate specific development projects that enhance the economy of the state and support private sector investment. The Authority can also act as a conduit for the issuance of both taxable and tax-exempt bonds for specific business development projects. For small businesses, AIDEA has a Business and Export Assistance program, which provides loan guarantees, with particular emphasis on businesses in rural Alaska.

Bonds sold for AIDEA projects are the general obligation of AIDEA and do not have the expressed moral obligation of the State of Alaska.

AIDEA provides all staffing for Alaska Energy Authority (AEA). This encompasses (1) the oversight of the operations and maintenance of all AEA owned power projects, (2) the management and staffing of AEA's Rural and Alternative Energy Programs, (3) the administration of the Power Cost Equalization (PCE) Program, and (4) the administration of the Circuit Rider Program.

### **Component Goals and Strategies**

To stimulate economic development and diversification.

- 1) Provide business financing assistance throughout Alaska through AIDEA's Credit programs by participating in or guaranteeing bank originated loans.
- 2) Continue to develop, operate and maintain AIDEA owned development projects that support private sector investment and create or maintain jobs for Alaskans.

### **Key Component Issues for FY2001 – 2002**

- Provide technical assistance and financing to help businesses diversify the economy in rural Alaska.
- Provide \$30 million in long term financing for business developments throughout Alaska by purchasing up to 80% of bank originated loans.
- Begin production of Alaska's first seafood manufacturing facility.

### **Major Component Accomplishments for FY2000**

Provided a \$26 million dividend to the State General Fund.

Purchased approximately \$30 million in loan participations originated through financial institutions for businesses and projects in Alaska, helping to expand Alaska's economic base and create jobs in Alaska.

Issued \$6.9 million in conduit financing for private sector and non-profit projects.

Completed construction on the \$125 million Alaska Seafood International manufacturing facility (ASI), and helped negotiate an organizational restructuring to provide short term operating capital. ASI is expected to restart production in January 2001. In full production, ASI will provide 450 year-round manufacturing jobs, result in hundreds of indirect jobs, and stimulate the local economies of fishing communities by providing a reliable market for their product.

Completed demonstration testing and transferred oversight of the Healy Clean Coal Project (HCCP) to Golden Valley Electric Association (GVEA) under a settlement agreement that ended two years of litigation between AIDEA and GVEA. GVEA and AIDEA agreed to a course of action that provides full pay back of AIDEA's investment in the HCCP and protects the interests of Interior ratepayers.

Continued to work with Cominco Alaska and the U.S. Corp of Engineers to study the potential feasibility of a deep water port at the DeLong Mountain Transportation facility (DMTS), the road and port serving the Red Dog Mine. The Red Dog Mine and the DMTS provide approximately 485 permanent, full-time jobs in the NW Arctic Borough.

Completed a revised development plan for the AIDEA-owned Ketchikan Shipyard. The proposed improvements will increase shipyard efficiency and production capacity and improve services, ultimately creating a more viable shipyard and increased employment. Construction is scheduled to begin in December 2000. The shipyard currently employs over 100 employees.

## **Statutory and Regulatory Authority**

AS 44.88  
3 AAC 99

## **Key Performance Measures for FY2002**

**Measure: Create at least 250 new jobs for Alaskans in FY 2002 by providing financial assistance to economic development projects that meet defined criteria for feasibility and financial success.**

*(Revised from Legislature's FY2001 version.)*

### **Current Status:**

In FY 2000 AIDEA funded loan participations totaling approximately \$30 million, creating approximately 530 construction jobs and 295 new jobs.

### **Benchmark:**

No other state in the nation has a public development corporation identical to AIDEA.

### **Background and Strategies:**

AIDEA provides the financing mechanisms necessary to participate in long-term commercial loans, and to own projects that promote economic development.

In FY 2002, AIDEA will purchase \$30.0 million in loan participations with financial institutions; and participate in or guarantee \$5.0 million in small rural loans.

AIDEA will continue to work with the private sector to develop infrastructure projects that AIDEA can own and lease to the private sector, complimenting private sector investment.

**Measure: Maintain a loan delinquency rate at or lower than the average loan delinquency rates of Alaskan banks.***(Added by Legislature in FY2001 version.)***Current Status:**

In August 2000, AIDEA's delinquency rate on loan participations dropped to 0.71 percent. This is a lower delinquency rate than most banks average. This is down from a 1.47 percent delinquency rate for the previous fiscal year.

**Benchmark:**

Delinquency rates can not be directly controlled by AIDEA. Delinquency rates are more a result of the economy. However, through prudent business practices, AIDEA can make knowledgeable decisions on participating in loans that will help diversify Alaska's economy and create jobs for Alaskan.

**Background and Strategies:**

AIDEA will continue to carefully review all loan participation requests from banks to help insure that each business receiving the loan can produce adequate revenues to repay the loan and that AIDEA's loan portfolio remains strong.

AIDEA will monitor its loan portfolio monthly and work with businesses to help insure their loans are current.

AIDEA will insure its loan portfolio is diverse regionally and by industry sector.

**Measure: Annually AIDEA will provide a dividend to the State based on AIDEA's net income for the fiscal year two years before the year the dividend is to be paid (the "base year").***(Added by Legislature in FY2001 version.)***Current Status:**

Since the Dividend Program became law in 1996, AIDEA has provided \$91.5 million to the General Fund in the form of a dividend.

**Benchmark:**

AIDEA's Dividend Program is unique to the agency.

**Background and Strategies:**

Through prudent business practices and a guiding investment policy, AIDEA will continue to produce net income, thereby allowing AIDEA to provide a dividend to the General Fund to fund other important programs.

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|---|-----------------|-----------------|-------------------------|------------------------------|---------------------------|
| <ul style="list-style-type: none"> <li>Create at least 350 new jobs for Alaskans by providing financial assistance to economic development projects that meet defined criteria for feasibility and financial success.</li> <li>Maintain a loan delinquency rate at or lower than the average loan delinquency rates of Alaskan banks</li> <li>Provide a dividend to the General Fund</li> </ul> |                 | X               | X                       |                              |                           |

## Alaska Industrial Development and Export Authority

## Component Financial Summary

All dollars in thousands

|  | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                                    |                |                   |                 |
| <b>Component Expenditures:</b>                                 |                |                   |                 |
| 71000 Personal Services  | 2,154.0        | 4,131.0           | 4,193.5         |
| 72000 Travel   | 47.6           | 68.2              | 68.2            |
| 73000 Contractual  | 1,268.2        | 1,510.0           | 1,519.3         |
| 74000 Supplies   | 19.3           | 38.9              | 38.9            |
| 75000 Equipment  | 31.6           | 15.5              | 15.5            |
| 76000 Land/Buildings   | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims   | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous  | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                                      | <b>3,520.7</b> | <b>5,763.6</b>    | <b>5,835.4</b>  |
| <b>Funding Sources:</b>  |                |                   |                 |
| 1007 Inter-Agency Receipts                                     | 319.5          | 1,961.5           | 1,977.2         |
| 1102 Alaska Industrial Development & Export Authority Receipts | 3,201.2        | 3,802.1           | 3,858.2         |
| <b>Funding Totals</b>  | <b>3,520.7</b> | <b>5,763.6</b>    | <b>5,835.4</b>  |

## Estimated Revenue Collections

| Description                              | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|--|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>             |                        |                |                   |                      |                 |                 |
| None.                                    |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>                |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>               |                        |                |                   |                      |                 |                 |
| Interagency Receipts                     | 51015                  | 319.5          | 1,961.5           | 1,961.5              | 1,977.2         | 1,977.2         |
| AK Industrial Dev. Export Auth. Receipts | 51406                  | 3,201.2        | 3,802.1           | 3,802.1              | 3,858.2         | 3,858.2         |
| <b>Restricted Total</b>                  |                        | <b>3,520.7</b> | <b>5,763.6</b>    | <b>5,763.6</b>       | <b>5,835.4</b>  | <b>5,835.4</b>  |
| <b>Total Estimated Revenues</b>          |                        | <b>3,520.7</b> | <b>5,763.6</b>    | <b>5,763.6</b>       | <b>5,835.4</b>  | <b>5,835.4</b>  |

**Alaska Industrial Development and Export Authority****Proposed Changes in Levels of Service for FY2002**

None.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>  | <b>0.0</b>           | <b>0.0</b>           | <b>5,763.6</b>     | <b>5,763.6</b>     |
| <b>Adjustments which get you to start of year:</b>                |                      |                      |                    |                    |
| -Update Executive Administration and Support Cost Allocation Plan | 0.0                  | 0.0                  | 9.3                | 9.3                |
| <b>Adjustments which will continue current level of service:</b>  |                      |                      |                    |                    |
| -Year 2 Labor Costs - Net Change from Fy 2001                     | 0.0                  | 0.0                  | 37.5               | 37.5               |
| <b>Proposed budget increases:</b>                                 |                      |                      |                    |                    |
| -Engineering Staff Reclassification Increment                     | 0.0                  | 0.0                  | 25.0               | 25.0               |
| <b>FY2002 Governor</b>  | <b>0.0</b>           | <b>0.0</b>           | <b>5,835.4</b>     | <b>5,835.4</b>     |

## Alaska Industrial Development and Export Authority

## Personal Services Information

| Authorized Positions |                      |                    | Personal Services Costs          |                  |
|----------------------|----------------------|--------------------|----------------------------------|------------------|
|                      | FY2001<br>Authorized | FY2002<br>Governor |                                  |                  |
| Full-time            | 61                   | 61                 | Annual Salaries                  | 3,265,500        |
| Part-time            | 0                    | 0                  | COLA                             | 77,958           |
| Nonpermanent         | 0                    | 0                  | Premium Pay                      | 38,272           |
|                      |                      |                    | Annual Benefits                  | 1,045,659        |
|                      |                      |                    | <i>Less 5.28% Vacancy Factor</i> | (233,889)        |
|                      |                      |                    | Lump Sum Premium Pay             | 0                |
| <b>Totals</b>        | <b>61</b>            | <b>61</b>          | <b>Total Personal Services</b>   | <b>4,193,500</b> |

## Position Classification Summary

| Job Class Title                | Anchorage | Fairbanks | Juneau   | Others   | Total     |
|--------------------------------|-----------|-----------|----------|----------|-----------|
| Accountant                     | 5         | 0         | 0        | 0        | 5         |
| Accounting Technician          | 4         | 0         | 0        | 0        | 4         |
| Admin Assistant                | 1         | 0         | 0        | 0        | 1         |
| Administrative Assistant       | 5         | 0         | 0        | 0        | 5         |
| Administrative Clerk II        | 1         | 0         | 0        | 0        | 1         |
| Dep Dir/Project Dev/Operations | 1         | 0         | 0        | 0        | 1         |
| Dep Dir-Bus Dev-Rural Energy   | 1         | 0         | 0        | 0        | 1         |
| Deputy Director Credit         | 1         | 0         | 0        | 0        | 1         |
| Deputy Director Finance        | 1         | 0         | 0        | 0        | 1         |
| Development Spec I             | 1         | 0         | 0        | 0        | 1         |
| Development Specialist II      | 3         | 0         | 0        | 0        | 3         |
| Drafting Technician III        | 1         | 0         | 0        | 0        | 1         |
| Engineering Assistant III      | 1         | 0         | 0        | 0        | 1         |
| Executive Director             | 1         | 0         | 0        | 0        | 1         |
| Finance Assistant              | 2         | 0         | 0        | 0        | 2         |
| Financial & Legal Affairs Mgr  | 1         | 0         | 0        | 0        | 1         |
| Loan Officer II                | 2         | 0         | 0        | 0        | 2         |
| Loan Servicing Officer         | 1         | 0         | 0        | 0        | 1         |
| Loan Servicing Technician II   | 3         | 0         | 0        | 0        | 3         |
| Microcomputer/Network Spec     | 1         | 0         | 0        | 0        | 1         |
| Operations Manager             | 1         | 0         | 0        | 0        | 1         |
| PCE Program Administrator      | 1         | 0         | 0        | 0        | 1         |
| Procurement Manager            | 2         | 0         | 0        | 0        | 2         |
| Project Assistant              | 3         | 0         | 0        | 0        | 3         |
| Project Development Manager    | 1         | 0         | 0        | 0        | 1         |
| Project Manager                | 1         | 0         | 0        | 0        | 1         |
| Project Manager I              | 2         | 0         | 0        | 0        | 2         |
| Project Manager II             | 2         | 0         | 0        | 0        | 2         |
| Receptionist                   | 1         | 0         | 0        | 0        | 1         |
| Rural Development Manager      | 1         | 0         | 0        | 0        | 1         |
| Rural Elect Utility Worker     | 3         | 0         | 0        | 0        | 3         |
| Rural Energy Programs Manager  | 1         | 0         | 0        | 0        | 1         |
| Technical Engineer I           | 1         | 0         | 0        | 0        | 1         |
| Technical Engineer II          | 2         | 0         | 0        | 1        | 3         |
| Tehnical Engineer I            | 1         | 0         | 0        | 0        | 1         |
| <b>Totals</b>                  | <b>60</b> | <b>0</b>  | <b>0</b> | <b>1</b> | <b>61</b> |

## **Component: Alaska Industrial Development Corporation Facilities Maintenance**

**Contact: Robert G. Poe, Jr., Executive Director**

**Tel:** (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

### **Component Mission**

To maintain and operate the office building occupied by AIDEA.

### **Component Services Provided**

The purpose of this component is to provide for the operations, maintenance and repair costs of the AIDEA office building.

### **Component Goals and Strategies**

Maintain and operate the office building occupied by AIDEA efficiently and effectively.

### **Key Component Issues for FY2001 – 2002**

HB 40 (SLA 99 Ch58) transferred the responsibility of the Dept of Community and Regional Affairs rural energy programs to AIDEA. This resulted in almost doubling the staff of AIDEA, thus doubling the office space requirements of AIDEA. An increment of \$104,000 for FY2001 was necessary to provide for the additional costs to maintain the required office space. This increment was funded by AIDEA Corporate Receipts.

### **Major Component Accomplishments for FY2000**

No major accomplishments.

### **Statutory and Regulatory Authority**

AS37.07.020(e)



## Alaska Industrial Development Corporation Facilities Maintenance

## Component Financial Summary

All dollars in thousands

|  | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                                    |                |                   |                 |
| <b>Component Expenditures:</b>                                 |                |                   |                 |
| 71000 Personal Services  | 0.0            | 0.0               | 0.0             |
| 72000 Travel   | 0.0            | 0.0               | 0.0             |
| 73000 Contractual  | 66.6           | 177.0             | 177.0           |
| 74000 Supplies   | 0.0            | 0.0               | 0.0             |
| 75000 Equipment  | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings   | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims   | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous  | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                                      | <b>66.6</b>    | <b>177.0</b>      | <b>177.0</b>    |
| <b>Funding Sources:</b>  |                |                   |                 |
| 1102 Alaska Industrial Development & Export Authority Receipts | 66.6           | 177.0             | 177.0           |
| <b>Funding Totals</b>  | <b>66.6</b>    | <b>177.0</b>      | <b>177.0</b>    |

## Estimated Revenue Collections

| Description                              | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|--|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>             |                        |                |                   |                      |                 |                 |
| None.                                    |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>                |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>               |                        |                |                   |                      |                 |                 |
| AK Industrial Dev. Export Auth. Receipts | 51406                  | 66.6           | 177.0             | 177.0                | 177.0           | 177.0           |
| <b>Restricted Total</b>                  |                        | <b>66.6</b>    | <b>177.0</b>      | <b>177.0</b>         | <b>177.0</b>    | <b>177.0</b>    |
| <b>Total Estimated Revenues</b>          |                        | <b>66.6</b>    | <b>177.0</b>      | <b>177.0</b>         | <b>177.0</b>    | <b>177.0</b>    |

**Alaska Industrial Development Corporation Facilities Maintenance**

**Proposed Changes in Levels of Service for FY2002**

None.

**Summary of Component Budget Changes**

**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

|                          | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b> | <b>0.0</b>           | <b>0.0</b>           | <b>177.0</b>       | <b>177.0</b>       |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>177.0</b>       | <b>177.0</b>       |

## **Component: Alaska Energy Authority Operations and Maintenance**

**Contact: Robert G. Poe, Jr., Executive Director**

**Tel:** (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

### **Component Mission**

To tap Alaska's natural resources and new technology to achieve the lowest reasonable consumer power costs.

### **Component Services Provided**

All staffing for AEA administrative functions is provided by AIDEA. AEA owns six hydroelectric plants and the Alaska Intertie transmission line and is responsible for the administrative oversight for these facilities.

### **Component Goals and Strategies**

To efficiently oversee the operations and maintenance of approximately \$1 billion in electrical generation and transmission facilities in Alaska.

- To the extent feasible, contract to user utilities the direct operating, maintenance and repair responsibilities for AEA owned facilities.

### **Key Component Issues for FY2001 – 2002**

Continue to maintain the technical integrity of AEA projects by providing scheduled maintenance.

Work with the Four Dam Pool communities and utilities to finalize the sale of the projects.

Continue to maximize local control of AEA projects, to the extent feasible, by contracting with the operating utilities to provide operating and maintenance services.

Continue to work with the operating utilities to lower operating costs and improve efficiencies at the AEA-owned hydroelectric projects.

### **Major Component Accomplishments for FY2000**

Completed Phase III of the Tyee Lake Transmission Line.

Replaced the Swan Lake underground storage tank.

Installed a foundation to the reactor at Pump Station 11 for the Solomon Gulch hydroelectric project.

Repaired a corrugated metal culvert at the Swan Lake hydroelectric project to maintain the integrity of the dam.

Reviewed the Tyee hydroelectric project protective relaying screen.

Oversaw repairs of the Nuka diversion at the Bradley Lake hydroelectric project.

Cleared timber and brush from the existing Alaska Intertie Right of Way.

## Statutory and Regulatory Authority

AS 44.83  
2 AAC 94

### Key Performance Measures for FY2002

**Measure: Amount of revenue created by projects owned by the Authority.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

In FY 2000 the AEA-owned projects generated \$25,259,000 in revenues from operating plants and \$2,766,000 of investment and other income. The income was offset by expenses in excess of revenues.

**Benchmark:**

The projects owned by AEA were built as infrastructure projects to provide lower-cost energy to Alaskans and were not intended as a source of revenue. AEA works to maximize the revenues at the projects to offset operating expenses.

**Background and Strategies:**

AEA administers the outstanding long-term debt of the AEA-owned projects, which is in excess of \$300 million, and administers special trust funds relating to the facilities. To the extent feasible, AEA contracts the direct operating, maintenance and repair responsibilities of the AEA-owned facilities to the operating utilities and works with the operating utilities to lower operating costs and improve efficiencies at the facilities owned by AEA.

**Measure: Number of unscheduled outages of hydroelectric projects owned by the Authority.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

AEA works closely in an administrative role with the operating utilities to minimize the number of unscheduled outages at the hydroelectric projects owned by the Authority and to insure the projects are operated effectively and efficiently through regular maintenance and budget oversight. The utilities are tasked with providing the necessary service to get the projects back on line when there is an unscheduled outage and provide backup generation when outages occur.

**Benchmark:**

AEA's primary role is to efficiently oversee the operations and maintenance of approximately \$1 billion in electrical generation and transmission facilities in Alaska. AEA is the owner of the facilities with oversight of the project budgets. The utilities operate and maintain the facilities. Prior to 1993, AEA had a staff of seventeen (17) to monitor the operations of the projects, providing detailed reports on operations, including unscheduled outages. AIDEA currently provides one staff position to provide oversight of the project operations and maintenance. Due to lack of resources, detailed reporting has been discontinued.

**Background and Strategies:**

On January 31, 2000, a heavy snow fall downed the Solomon Gulch hydroelectric project transmission line in Thompson Pass. Copper Valley Electric Association (CVEC) repaired and returned the transmission line to service on March 10th with AEA oversight. CVEC supplied diesel generation and hydroelectric backup while the transmission line was out of service.

**Measure: Number of four dam pool project repairs and upgrades completed on time and within budget.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

AEA initiates regular maintenance and repair to the four dam pool projects and provides administrative and budget oversight to insure the projects are completed on time and within budget. Repairs and upgrades initiated in FY 2000 include:

- In June the 2000 contractor began tunnel repairs at the Terror Lake hydroelectric project. A majority of the project was completed by October 31, 2000. Work will continue to complete the sedimentation discharge system.
- AEA is working with the Ketchikan Public Utility to repair the turbine guide bearings at the Swan Lake hydroelectric project. In addition, a failed corrugated metal culvert was repaired to maintain the integrity of the dam.
- Completed Phase III of the Tyee Lake hydroelectric project transmission lines in November 1999 and reviewed the protective relaying screen.
- Completed the Swan Lake hydroelectric project underground storage in November 1999.

**Benchmark:**

As the owner of the four dam pool projects, it is AEA's responsibility to insure the assets are protected and the integrity of the projects is maintained.

**Background and Strategies:**

AEA initiates repairs and upgrades as necessary to maintain the AEA-owned projects built over a decade ago. In FY 2002, AEA will work with the operating utilities to complete the following:

- Complete the Terror Lake sedimentation discharge system upgrade.
- Evaluate a major overhaul of the Swan Lake generator and turbines.
- Sale of the four dam pool projects to the operating utilities and/or communities.

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|---|-----------------|-----------------|-------------------------|------------------------------|---------------------------|
| • Number of unscheduled outages of hydroelectric projects owned by the Authority.           |                 |                 | X                       |                              |                           |
| • Number of four dam pool project repairs and upgrades completed on time and within budget. |                 |                 | X                       |                              |                           |
| • Amount of revenue created by projects owned by the authority                              |                 |                 | X                       |                              |                           |

## Alaska Energy Authority Operations and Maintenance

## Component Financial Summary

All dollars in thousands

|   | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|---|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                     |                |                   |                 |
| <b>Component Expenditures:</b>                  |                |                   |                 |
| 71000 Personal Services                         | 0.0            | 0.0               | 0.0             |
| 72000 Travel                                    | 45.6           | 30.0              | 30.0            |
| 73000 Contractual                               | 554.2          | 1,006.5           | 1,008.9         |
| 74000 Supplies                                  | 3.4            | 8.0               | 8.0             |
| 75000 Equipment                                 | 1.8            | 5.0               | 5.0             |
| 76000 Land/Buildings                            | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                            | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                             | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                       | <b>605.0</b>   | <b>1,049.5</b>    | <b>1,051.9</b>  |
| <b>Funding Sources:</b>                         |                |                   |                 |
| 1107 Alaska Energy Authority Corporate Receipts | 605.0          | 1,049.5           | 1,051.9         |
| <b>Funding Totals</b>                           | <b>605.0</b>   | <b>1,049.5</b>    | <b>1,051.9</b>  |

## Estimated Revenue Collections

| Description                      | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|----------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>     |                        |                |                   |                      |                 |                 |
| None.                            |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>        |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>       |                        |                |                   |                      |                 |                 |
| Alaska Energy Authority Receipts | 51418                  | 605.0          | 1,049.5           | 1,049.5              | 1,051.9         | 1,051.9         |
| <b>Restricted Total</b>          |                        | <b>605.0</b>   | <b>1,049.5</b>    | <b>1,049.5</b>       | <b>1,051.9</b>  | <b>1,051.9</b>  |
| <b>Total Estimated Revenues</b>  |                        | <b>605.0</b>   | <b>1,049.5</b>    | <b>1,049.5</b>       | <b>1,051.9</b>  | <b>1,051.9</b>  |

**Alaska Energy Authority Operations and Maintenance****Proposed Changes in Levels of Service for FY2002**

None.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|                                   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|-----------------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>          | <b>0.0</b>           | <b>0.0</b>           | <b>1,049.5</b>     | <b>1,049.5</b>     |
| <b>Proposed budget increases:</b> |                      |                      |                    |                    |
| -Increase RSA to AIDEA            | 0.0                  | 0.0                  | 2.4                | 2.4                |
| <b>FY2002 Governor</b>            | <b>0.0</b>           | <b>0.0</b>           | <b>1,051.9</b>     | <b>1,051.9</b>     |

## **Rural Energy Programs Budget Request Unit**

**Contact: Robert G. Poe, Jr., Executive Director**

**Tel:** (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

### **BRU Mission**

The mission of the Rural Energy Programs BRU is to reduce the cost and increase the reliability of rural energy systems.

### **BRU Services Provided**

The Rural Energy Programs BRU includes funds and personnel for the following programs:

- o Bulk fuel storage upgrades.
- o Rural power system upgrades.
- o Power Cost Equalization.
- o Energy conservation and alternative energy development.
- o Circuit rider maintenance and emergency response.
- o Utility operator training.
- o Bulk fuel revolving loan fund.
- o Power Project loan fund.

Recent capital project funding for bulk fuel storage upgrades and rural power system upgrades has come primarily from the Denali Commission, supplemented by other federal grants from agencies such as EPA and HUD and by State capital appropriations.

Power Cost Equalization (PCE) pays a portion of the electric bills of rural consumers. Significant legislation enacted in 1999 reduced the scope of the program and the size of PCE payments, while legislation enacted in 2000 created an endowment to provide PCE funding over the long term.

Energy costs in rural Alaska are far higher than in urban Alaska or anywhere else in the United States. This is one of the key obstacles to long-term economic sustainability and growth in the region. All of the services in this BRU are designed to reduce the cost and increase the reliability of rural energy systems.

### **BRU Goals and Strategies**

Key goals and strategies stated in the component budgets are:

- o For both bulk fuel storage and rural power system upgrades, accelerate project development to take full advantage of the recent and expected increases in Denali Commission funding of these projects.
- o Through training and technical assistance, improve local capabilities to properly manage, operate, and maintain electric utility and bulk fuel storage systems.
- o Continue to issue timely and accurate PCE payments to 97 electric utilities serving 190 eligible communities.
- o Develop and implement alternative energy technologies and assess their potential to reduce energy costs in rural Alaska.

### **Key BRU Issues for FY2001 – 2002**

Key BRU issues stated in the component budgets are:



- o AEA must accelerate project development to keep pace with the availability of funding from the Denali Commission.
- o The estimated \$7.3 million contribution in FY02 from the PCE endowment fund is considerably less than the amount needed to fully fund PCE. The estimated shortfall in PCE funding for FY02 is \$7.8 million.
- o Recent fuel price increases accentuate the need for aggressive action to reduce rural energy costs.
- o Recent growth in the construction of new power supply and bulk fuel storage projects highlights the need for consistent operations, maintenance, and management skills among the local owners of these facilities.
- o The growing demand for loans from the Bulk Fuel Revolving Loan Fund continues to outstrip the available funds.

### **Major BRU Accomplishments for FY2000**

Key BRU accomplishments stated in the component budgets are:

- o Completed bulk fuel storage consolidations and upgrades in 11 communities totaling \$ 8.7 million.
- o Completed preliminary or final design work on 21 additional bulk fuel storage projects with a total estimated construction cost of \$ 46.2 million.
- o Completed rural power system upgrades in 6 communities totaling \$2.3 million.
- o Issued PCE payments as required by law in the amount of \$14.6 million.
- o Provided circuit rider maintenance and on-site operator training in 29 rural communities.
- o Responded to electrical emergencies in 14 communities, including diesel powerplant failures and distribution system failures due to avalanche or winter storms.

**Rural Energy Programs**  
**BRU Financial Summary by Component**

*All dollars in thousands*

|  | FY2000 Actuals |               |             |             | FY2001 Authorized |               |                 |                 | FY2002 Governor |               |                 |                 |
|--|----------------|---------------|-------------|-------------|-------------------|---------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|
|  | General Funds  | Federal Funds | Other Funds | Total Funds | General Funds     | Federal Funds | Other Funds     | Total Funds     | General Funds   | Federal Funds | Other Funds     | Total Funds     |
| <b><u>Formula Expenditures</u></b>     |                |               |             |             |                   |               |                 |                 |                 |               |                 |                 |
| Power Cost Equalization                | 0.0            | 0.0           | 0.0         | 0.0         | 0.0               | 0.0           | 15,700.0        | 15,700.0        | 0.0             | 0.0           | 15,700.0        | 15,700.0        |
| <b><u>Non-Formula Expenditures</u></b> |                |               |             |             |                   |               |                 |                 |                 |               |                 |                 |
| Energy Operations                      | 0.0            | 0.0           | 0.0         | 0.0         | 287.9             | 65.6          | 1,797.8         | 2,151.3         | 289.7           | 66.0          | 1,808.9         | 2,164.6         |
| Circuit Rider                          | 0.0            | 0.0           | 0.0         | 0.0         | 100.0             | 200.0         | 0.0             | 300.0           | 200.0           | 100.0         | 0.0             | 300.0           |
| <b>Totals</b>                          | <b>0.0</b>     | <b>0.0</b>    | <b>0.0</b>  | <b>0.0</b>  | <b>387.9</b>      | <b>265.6</b>  | <b>17,497.8</b> | <b>18,151.3</b> | <b>489.7</b>    | <b>166.0</b>  | <b>17,508.9</b> | <b>18,164.6</b> |

## Rural Energy Programs

### Proposed Changes in Levels of Service for FY2002

The Circuit Rider program insures the reliable and efficient performance of electrical systems in rural Alaska communities and works towards completion of an inventory and assessment of facilities annually to update the Alaska Energy Authority's (AEA) database. A funding source change switching a portion of federal funds to general funds is requested because a stable source of federal funds is not available.

## Rural Energy Programs

### Summary of BRU Budget Changes by Component

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>387.9</b>         | <b>265.6</b>         | <b>17,497.8</b>    | <b>18,151.3</b>    |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Circuit Rider   | 100.0                | -100.0               | 0.0                | 0.0                |
| <b>Proposed budget increases:</b>                                |                      |                      |                    |                    |
| -Energy Operations   | 1.8                  | 0.4                  | 11.1               | 13.3               |
| <b>FY2002 Governor</b>   | <b>489.7</b>         | <b>166.0</b>         | <b>17,508.9</b>    | <b>18,164.6</b>    |

## **Component: Energy Operations**

**Contact: Robert G. Poe, Jr, Executive Director**

**Tel:** (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

## **Component Mission**

The mission of the Rural Energy Programs - Energy Operations component is to reduce the cost and increase the reliability of rural energy systems.

## **Component Services Provided**

This component provides personnel resources and administrative support needed to implement Alaska Energy Authority's (AEA) rural energy programs, including bulk fuel storage upgrades, rural power system upgrades, power cost equalization, energy conservation and alternative energy development, circuit rider maintenance and emergency response, utility operator training, the Bulk Fuel Revolving Loan Fund program, and the Power Project Fund loan program:

- o Bulk fuel storage upgrades - AEA manages the design and construction of tank farm consolidation projects in rural communities. As described in our capital budget request, recent funding has been provided primarily by the Denali Commission, supplemented by additional federal funds from agencies such as EPA and HUD and by State capital appropriations.
- o Rural power system upgrades - AEA manages the design and construction of upgrades and replacements to diesel powerplants and electrical distribution systems in rural communities. Again, our capital budget request describes this in greater detail. Recent funding has been provided primarily by the Denali Commission, supplemented by State and other federal funds.
- o Power cost equalization (PCE) - Program administration is divided between the Regulatory Commission for Alaska (RCA) and AEA. RCA determines the amount of PCE per kilowatt hour to be paid in each community to each eligible customer. AEA's main task is to review the monthly reports on eligible usage of electricity from the participating utilities and to issue the monthly PCE payments based on the amount of eligible usage and the approved PCE rate.
- o Energy conservation and alternative energy development - AEA manages the federally-funded Rebuild America program, which provides "energy audits" and energy conservation recommendations for institutional buildings (such as schools) in rural communities. As described in our capital budget request, AEA also manages the federally-funded biomass energy program, participates in wind energy development, and works with the U.S. Department of Energy and rural utilities on a wide range of alternative energy initiatives.
- o Circuit rider maintenance and emergency response - AEA contracts with private firms to provide preventive maintenance, on-site utility operator training, and emergency response for rural electric utilities. AEA personnel provide contract supervision and supplemental services in the field as needed.
- o Utility operator training - AEA manages a program that sends rural electric utility operators to the Alaska Vocational Technical Center (AVTEC) in Seward for extended training in diesel power plant operations.
- o Bulk Fuel Revolving Loan Fund - AEA evaluates loan applications for purchase of bulk fuel supplies, issues loans, collects payments, and works with purchasers and fuel distributors as necessary to finance bulk fuel purchases.
- o Power Project Fund - AEA evaluates loan applications, issues loans, collects payments, and works with eligible borrowers as necessary to finance eligible projects.

## **Component Goals and Strategies**

For both bulk fuel storage consolidation and rural power system upgrades, accelerate project development to take full advantage of the recent and expected increases in Denali Commission funding of these projects.

Continue to issue accurate and timely PCE payments to eligible utilities.

Through training and technical assistance, improve local capabilities to properly manage, operate, and maintain electric utility and bulk fuel storage systems.

By providing preventive maintenance, emergency response and utility system upgrades, eliminate safety hazards and prevent or resolve electrical emergencies in rural communities.

Provide efficient and effective management of capital projects.

Develop and implement alternative energy technologies and assess their potential to reduce energy costs in rural Alaska.

## **Key Component Issues for FY2001 – 2002**

Increased funding from the Denali Commission offers a rare opportunity to upgrade both fuel storage facilities and electric utility systems in rural Alaska on a broad scale. A key issue for AEA is to provide sufficient management resources and accelerate the pace of project development so that rural communities can realize as much benefit as possible from this opportunity.

The need to reduce energy costs in rural Alaska has become more urgent due to the sharp increase in fuel prices that has occurred during the past year. Strategies to reduce these costs through energy production efficiencies, energy production alternatives, and energy conservation need to be clearly identified, developed, and aggressively implemented.

Demand for loans from the Bulk Fuel Revolving Loan Fund has continued to grow and to outstrip the available funds. A key issue will be to develop policies to prioritize loan requests in line with this continuing shortfall or to identify supplemental financing for bulk fuel purchases.

Recent growth in the construction of new power supply and bulk fuel storage projects highlights the need for consistent operations, maintenance, and management skills among the local owners of these facilities. Appropriate training is necessary not only at the time of project completion but will also be needed periodically in the future given the expected turnover of facility operators.

A continuing issue is to reduce the number of power system emergencies due to failures in electrical generation and transmission systems, and to reduce the number of fuel supply emergencies due to inadequate bulk fuel storage facilities.

## **Major Component Accomplishments for FY2000**

Completed bulk fuel storage consolidations and upgrades in 11 communities totaling \$8.7 million.

Completed preliminary or final design work on 21 additional bulk fuel storage projects, with total estimated construction costs of \$46.2 million.

Completed rural power system upgrades in 6 communities totaling \$2.3 million.

Responded to electrical emergencies in 14 communities, including diesel engine failures in 6 communities and distribution system failures due to avalanche or winter storms in 8 communities.

## Statutory and Regulatory Authority

AS 42.45  
19 AAC 96  
19 AAC 97

## Key Performance Measures for FY2002

**Measure: 10 bulk fuel storage consolidation and upgrade projects are projected to be completed in FY02.**  
*(Added by Legislature in FY2000 version.)*

**Current Status:**

11 projects were completed during FY00.

**Benchmark:**

AEA's bulk fuel storage data base and priority list includes information on tank farms in 161 rural communities.

**Background and Strategies:**

There are approximately 1100 above-ground tank farms in 161 remote villages in rural Alaska. Most of these tank farms have serious deficiencies. The U.S. Coast Guard and the Environmental Protection Agency are continuing to issue citations to owners of many substandard facilities in rural Alaska but have thus far refrained from ordering them closed as long as effective measures are underway to bring them into regulatory compliance.

A typical rural village may presently have separate tank farms owned and operated by the City government, the tribal government, the village corporation, the local school, the electric utility, and other public or private entities. Relying primarily on federal funds, the State has conducted a program over the last several years to replace these tank farms with new or refurbished facilities that meet all applicable safety and environmental codes. Most of these projects seek to consolidate several tank farms into a single facility so that the potential for adverse impacts is no longer spread among several tank farm sites around the community. Consolidation also helps to avoid the inconsistent maintenance and operations practices that can result from multiple projects operated by multiple owners.

**Measure: Six electric utility upgrade projects are projected to be completed in FY02.**  
*(Added by Legislature in FY2000 version.)*

**Current Status:**

Six electric utility upgrades were completed in FY00. Grants to Matanuska Electric Association and Golden Valley Electric Association were administered for 5 line extension projects.

**Benchmark:**

AEA is presently developing a data base that will include approximately 170 rural electric utility systems, and will allow those systems to be ranked in the order of their physical condition.

**Background and Strategies:**

In rural Alaska, 193 communities are served by 99 independent electric utilities. For most of these utilities, the power plant and distribution system do not meet accepted utility standards for safety, reliability, and environmental protection.

Electric utility systems are part of the basic infrastructure of rural communities and are fundamental to the operation of other community facilities, the maintenance of present living standards, and to the prospects for economic development. Due to high costs and limited economies of scale, most local communities cannot make the capital investments needed to meet accepted utility standards for safety, reliability, and operating efficiency.

As funds are available, the State contributes to these capital investments through the Rural Power System Upgrade (RPSU) program. Depending on the condition of existing facilities, these investments can include new generators, new controls, upgrades and modifications to distribution lines, or entirely new power plants and distribution systems.

**Measure: The efficiencies created by using economies of scale in upgrades in similar systems.***(Added by Legislature in FY2001 version.)***Current Status:**

Further consultation needed to determine the intent of this measure.

**Benchmark:**

None

**Background and Strategies:**

None

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon<br/>to tell</i> | <i>Not likely<br/>to achieve</i> | <i>Needs<br/>modification</i> |
|---|-----------------|-----------------|-----------------------------|----------------------------------|-------------------------------|
| <ul style="list-style-type: none"> <li>In FY01, complete construction of 10 bulk fuel consolidation or project upgrades, complete design and begin construction of 8 consolidation projects or upgrades, and begin design of 17 BF projects.</li> <li>The efficiencies created by using economies of scale in upgrades in similar systems.</li> </ul> |                 |                 | X                           |                                  | X                             |

## Energy Operations

### Component Financial Summary

*All dollars in thousands*

|   | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|---|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>               |                |                   |                 |
| <b>Component Expenditures:</b>            |                |                   |                 |
| 71000 Personal Services                   | 1,552.9        | 1,585.9           | 0.0             |
| 72000 Travel                              | 202.8          | 125.6             | 125.6           |
| 73000 Contractual                         | 365.5          | 416.8             | 2,016.0         |
| 74000 Supplies                            | 45.6           | 18.0              | 18.0            |
| 75000 Equipment                           | 15.7           | 5.0               | 5.0             |
| 76000 Land/Buildings                      | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                      | 157.7          | 0.0               | 0.0             |
| 78000 Miscellaneous                       | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                 | <b>2,340.2</b> | <b>2,151.3</b>    | <b>2,164.6</b>  |
| <b>Funding Sources:</b>                   |                |                   |                 |
| 1002 Federal Receipts                     | 71.4           | 65.6              | 66.0            |
| 1004 General Fund Receipts                | 287.9          | 287.9             | 289.7           |
| 1007 Inter-Agency Receipts                | 354.6          | 236.0             | 237.4           |
| 1061 Capital Improvement Project Receipts | 774.8          | 710.3             | 714.7           |
| 1062 Power Project Loan Fund              | 802.5          | 802.5             | 807.5           |
| 1074 Bulk Fuel Revolving Loan Fund        | 49.0           | 49.0              | 49.3            |
| <b>Funding Totals</b>                     | <b>2,340.2</b> | <b>2,151.3</b>    | <b>2,164.6</b>  |

### Estimated Revenue Collections

| Description                          | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|--------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b><u>Unrestricted Revenues</u></b>  |                        |                |                   |                      |                 |                 |
| None.                                |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>            |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b><u>Restricted Revenues</u></b>    |                        |                |                   |                      |                 |                 |
| Federal Receipts                     | 51010                  | 71.4           | 65.6              | 65.6                 | 66.0            | 66.0            |
| Interagency Receipts                 | 51015                  | 354.6          | 236.0             | 236.0                | 237.4           | 237.4           |
| Capital Improvement Project Receipts | 51200                  | 774.8          | 710.3             | 710.3                | 714.7           | 714.7           |
| Bulk Fuel Revolving Loan Fund        | 51270                  | 49.0           | 49.0              | 49.0                 | 49.3            | 49.3            |
| Power Project Loan Fund              | 51350                  | 802.5          | 802.5             | 802.5                | 807.5           | 807.5           |
| <b>Restricted Total</b>              |                        | <b>2,052.3</b> | <b>1,863.4</b>    | <b>1,863.4</b>       | <b>1,874.9</b>  | <b>1,874.9</b>  |
| <b>Total Estimated Revenues</b>      |                        | <b>2,052.3</b> | <b>1,863.4</b>    | <b>1,863.4</b>       | <b>1,874.9</b>  | <b>1,874.9</b>  |



**Energy Operations****Proposed Changes in Levels of Service for FY2002**

None.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|                                   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|-----------------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>          | <b>287.9</b>         | <b>65.6</b>          | <b>1,797.8</b>     | <b>2,151.3</b>     |
| <b>Proposed budget increases:</b> |                      |                      |                    |                    |
| -Increase RSA to AIDEA            | 1.8                  | 0.4                  | 11.1               | 13.3               |
| <b>FY2002 Governor</b>            | <b>289.7</b>         | <b>66.0</b>          | <b>1,808.9</b>     | <b>2,164.6</b>     |

## **Component: Circuit Rider**

**Contact: Robert G. Poe, Jr., Executive Director**

**Tel:** (907) 269-3000 **Fax:** (907) 369-3044 **E-mail:** bpoe@aidea.org

## **Component Mission**

To increase the reliability and efficiency of rural electric systems and to respond quickly and effectively to electrical emergencies.

## **Component Services Provided**

The Circuit Rider program offers preventive maintenance services, on-site operator training, and emergency response to rural electric utilities, specifically the smaller utilities that have difficulty acquiring and maintaining the necessary technical skills. AEA contracts with private sector firms to provide these services, supplementing with AEA field staff when necessary.

The contract personnel providing these services include qualified plant operators, electricians and linemen. They visit the participating communities on a quarterly or semi-annual basis, depending on the conditions of the electrical systems, local operator skills and utility management. Inspection, testing, and preventive maintenance is performed on diesel engines, generators, control panels, metering systems and other related components. The contractors are assisted by the local plant operators, who acquire training and skills in the process.

As described in our capital budget request for electrical emergency funds, circuit rider contractors are also dispatched to participating communities when power failures occur that the local utility is unable to resolve.

## **Component Goals and Strategies**

Ensure that small diesel power plants, especially those constructed or financed by the State, are properly maintained for safe and reliable service over their expected lives.

Conduct preventive maintenance and repair on a quarterly basis for rural electric utilities that lack the necessary in-house capability.

Conduct on-site operator training needed for local labor to take on regular preventive maintenance tasks.

Reduce the number of electrical emergencies in rural Alaska.

## **Key Component Issues for FY2001 – 2002**

During FY01, AEA has directed its Circuit Rider contractors to gather extensive information for our electric utility database, including detailed information on the condition of electrical system components as well as an inventory of power plant equipment. For the purpose of acquiring this information, our contractors are visiting all rural electric utility systems, not just those participating in the Circuit Rider maintenance program. Indicators of operations and maintenance performance are also being acquired. The data base will be used to help both the State and the Denali Commission set priorities for rural power system upgrade projects.

## **Major Component Accomplishments for FY2000**

Provided circuit rider maintenance services to 29 communities.

Responded to electrical emergencies in 14 communities, including diesel engine failures in 6 communities and distribution system failures due to avalanche or winter storms in 8 communities.

## Statutory and Regulatory Authority

AS 42.45

### Key Performance Measures for FY2002

**Measure: The number of communities receiving Circuit Rider maintenance services at least semi-annually.**  
*(Not yet addressed by Legislature.)*

**Current Status:**

Circuit rider maintenance provided to 29 communities in FY00, and anticipated to be provided to 70 communities in FY01.

**Benchmark:**

There are 190 communities with central station electrical service in rural Alaska.

**Background and Strategies:**

Preventive maintenance and correct operating procedures are essential for power system reliability and also for avoiding the cost of premature equipment replacement. Over the long run, the number of power system emergencies in rural Alaska, and their related costs, will be reduced if equipment is properly maintained and if local utility operators acquire more advanced skills in system operations and repair.

## Circuit Rider

### Component Financial Summary

All dollars in thousands

|                                | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--------------------------------|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>    |                |                   |                 |
| <b>Component Expenditures:</b> |                |                   |                 |
| 71000 Personal Services        | 0.0            | 0.0               | 0.0             |
| 72000 Travel                   | 0.0            | 0.0               | 0.0             |
| 73000 Contractual              | 100.0          | 300.0             | 300.0           |
| 74000 Supplies                 | 0.0            | 0.0               | 0.0             |
| 75000 Equipment                | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings           | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims           | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous            | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>      | <b>100.0</b>   | <b>300.0</b>      | <b>300.0</b>    |
| <b>Funding Sources:</b>        |                |                   |                 |
| 1002 Federal Receipts          | 0.0            | 200.0             | 100.0           |
| 1004 General Fund Receipts     | 100.0          | 100.0             | 200.0           |
| <b>Funding Totals</b>          | <b>100.0</b>   | <b>300.0</b>      | <b>300.0</b>    |

### Estimated Revenue Collections

| Description                     | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|---------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>    |                        |                |                   |                      |                 |                 |
| None.                           |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>       |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>      |                        |                |                   |                      |                 |                 |
| Federal Receipts                | 51010                  | 0.0            | 200.0             | 200.0                | 100.0           | 100.0           |
| <b>Restricted Total</b>         |                        | <b>0.0</b>     | <b>200.0</b>      | <b>200.0</b>         | <b>100.0</b>    | <b>100.0</b>    |
| <b>Total Estimated Revenues</b> |                        | <b>0.0</b>     | <b>200.0</b>      | <b>200.0</b>         | <b>100.0</b>    | <b>100.0</b>    |

**Circuit Rider****Proposed Changes in Levels of Service for FY2002**

This program insures the reliable and efficient performance of electrical systems in rural Alaska communities and works towards completion of an inventory and assessment of facilities annually to update the Alaska Energy Authority's (AEA) database. A funding source change switching a portion of federal funds to general funds is requested because a stable source of federal funds is not available.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>100.0</b>         | <b>200.0</b>         | <b>0.0</b>         | <b>300.0</b>       |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Fund Source Reallocation from Federal to GF                     | 100.0                | -100.0               | 0.0                | 0.0                |
| <b>FY2002 Governor</b>   | <b>200.0</b>         | <b>100.0</b>         | <b>0.0</b>         | <b>300.0</b>       |

## **Component: Power Cost Equalization**

**Contact: Robert G. Poe, Jr, Executive Director**

**Tel:** (907) 269-3000 **Fax:** (907) 269-3004 **E-mail:** bpoe@aidea.org

### **Component Mission**

To reduce the cost of electricity for residential consumers and community facilities in rural Alaska.

### **Component Services Provided**

The Power Cost Equalization (PCE) program has paid a portion of the monthly electric bills of rural consumers since 1985. The cost of power in rural Alaska is up to five times greater than the cost of power in urban Alaska. PCE funding is provided for 97 rural electric utilities, which collectively serve 190 communities and 76,000 residents across the state.

Legislation enacted in 1999 limits PCE eligibility to residential consumers and community facilities. Residential consumers can receive PCE support for up to 500 kilowatt hour per month. A monthly usage cap is also defined for community facilities - however, electricity consumption in this category is typically below the cap. As a result, PCE support can be paid for all of the electricity used for community facilities in most cases.

Legislation enacted in 2000 created a PCE endowment with an initial deposit of \$100 million. AEA anticipates that an additional \$90 million will be deposited in the PCE endowment during FY02 consisting primarily of the proceeds from Four Dam Pool divestiture. Endowment earnings are projected to provide approximately \$7.3 million for PCE in FY02 and approximately \$13.5 million per year for PCE beginning in FY03.

### **Component Goals and Strategies**

Continue to issue timely and accurate PCE payments to 97 electric utilities serving 190 eligible communities.

Assist rural electric utilities in collecting the information and submitting the necessary reports to obtain PCE benefits.

Prepare an annual statistical report on rural electric utility sales, costs, rates, and benefits based on monthly PCE reports.

Continue to provide administrative training, when necessary, to electric utility staff to promote self sufficient and reliable utility record keeping and administration.

### **Key Component Issues for FY2001 – 2002**

The PCE endowment fund is expected to generate approximately \$7.3 million for PCE in FY02. The endowment is expected to generate approximately \$13.5 million for PCE in future years beginning in FY03 after the proceeds from Four Dam Pool divestiture are deposited. The key issue for FY02 is that the estimated \$7.3 million contribution from the endowment fund, plus carry forward from FY01 and short-term interest earnings, leaves a shortfall of \$7.8 million.

It is likely that the amount needed in FY01 will be close to the \$15.7 million FY01 PCE appropriation.

### **Major Component Accomplishments for FY2000**

Issued PCE payments as required by law in the amount of \$14.6 million.

Issued PCE statistical report for FY99.

Provided information as needed to the Governor and Legislature in connection with the creation of the PCE Endowment Fund.

## **Statutory and Regulatory Authority**

AS 42.45

## **Key Performance Measures for FY2002**

**Measure: The average power cost for households receiving power cost equalization compared to average statewide costs.**

*(Added by Legislature in FY2001 version.)*

### **Current Status:**

Average rate for residential customers in rural Alaska in FY98, without PCE rate reduction: 29 cents per kilowatt hour.

Average rate for residential customers in rural Alaska in FY98, after receipt of PCE support: 20 cents per kilowatt hour..

Average rate for residential customers in Anchorage, Fairbanks, and Juneau in 1997: 9.9 cents per kilowatt hour.

### **Benchmark:**

The benchmark is the average cost of power in urban Alaska, reported under "current status."

### **Background and Strategies:**

Legislation enacted in 2000 includes the following statement of findings by the Legislature:

1. Adequate and reliable electric service at affordable rates is a necessary ingredient of a modern society and a prosperous developing economy.
2. At the current stage of social and economic development in the state, direct participation by the state is necessary to assist in keeping rates in high-cost service areas to affordable levels.
3. Providing a long-term, stable financing source for power cost equalization will permit and encourage the electric utility industry and its lenders to develop plans, make investments, and take other actions that are necessary or prudent to provide adequate and reliable electric service at affordable rates and to meet the health and safety needs of residents of the state.

## Power Cost Equalization

### Component Financial Summary

*All dollars in thousands*

|                                   | FY2000 Actuals  | FY2001 Authorized | FY2002 Governor |
|-----------------------------------|-----------------|-------------------|-----------------|
| <b>Formula Program:</b>           |                 |                   |                 |
| <b>Component Expenditures:</b>    |                 |                   |                 |
| 71000 Personal Services           | 0.0             | 0.0               | 0.0             |
| 72000 Travel                      | 0.0             | 0.0               | 0.0             |
| 73000 Contractual                 | 0.0             | 0.0               | 0.0             |
| 74000 Supplies                    | 0.0             | 0.0               | 0.0             |
| 75000 Equipment                   | 0.0             | 0.0               | 0.0             |
| 76000 Land/Buildings              | 0.0             | 0.0               | 0.0             |
| 77000 Grants, Claims              | 14,562.2        | 15,700.0          | 15,700.0        |
| 78000 Miscellaneous               | 0.0             | 0.0               | 0.0             |
| <b>Expenditure Totals</b>         | <b>14,562.2</b> | <b>15,700.0</b>   | <b>15,700.0</b> |
| <b>Funding Sources:</b>           |                 |                   |                 |
| 1089 Power Cost Equalization Fund | 14,562.2        | 15,700.0          | 15,700.0        |
| <b>Funding Totals</b>             | <b>14,562.2</b> | <b>15,700.0</b>   | <b>15,700.0</b> |

### Estimated Revenue Collections

| Description                         | Master Revenue Account | FY2000 Actuals  | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|-------------------------------------|------------------------|-----------------|-------------------|----------------------|-----------------|-----------------|
| <b><u>Unrestricted Revenues</u></b> |                        |                 |                   |                      |                 |                 |
| None.                               |                        | 0.0             | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>           |                        | <b>0.0</b>      | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b><u>Restricted Revenues</u></b>   |                        |                 |                   |                      |                 |                 |
| Power Cost Equalization             | 51404                  | 14,562.2        | 15,700.0          | 15,700.0             | 15,700.0        | 15,700.0        |
| <b>Restricted Total</b>             |                        | <b>14,562.2</b> | <b>15,700.0</b>   | <b>15,700.0</b>      | <b>15,700.0</b> | <b>15,700.0</b> |
| <b>Total Estimated Revenues</b>     |                        | <b>14,562.2</b> | <b>15,700.0</b>   | <b>15,700.0</b>      | <b>15,700.0</b> | <b>15,700.0</b> |



**Power Cost Equalization****Proposed Changes in Levels of Service for FY2002**

None.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|                          | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b> | <b>0.0</b>           | <b>0.0</b>           | <b>15,700.0</b>    | <b>15,700.0</b>    |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>15,700.0</b>    | <b>15,700.0</b>    |

## **Alaska Seafood Marketing Institute Budget Request Unit**

**Contact: Barbara J. Belknap, Executive Director**

**Tel:** (907) 465-5560 **Fax:** (907) 465-5572 **E-mail:** Barbara\_Belknap@dced.state.ak.us

### **BRU Mission**

See Alaska Seafood Marketing Component

### **BRU Services Provided**

See component information.

### **BRU Goals and Strategies**

See component information.

### **Key BRU Issues for FY2001 – 2002**

See component information.

### **Major BRU Accomplishments for FY2000**

See component information.

**Alaska Seafood Marketing Institute**  
**BRU Financial Summary by Component**

*All dollars in thousands*

|                                      | FY2000 Actuals |                |             |                | FY2001 Authorized |                |                |                 | FY2002 Governor |                |                |                 |
|--------------------------------------|----------------|----------------|-------------|----------------|-------------------|----------------|----------------|-----------------|-----------------|----------------|----------------|-----------------|
|                                      | General Funds  | Federal Funds  | Other Funds | Total Funds    | General Funds     | Federal Funds  | Other Funds    | Total Funds     | General Funds   | Federal Funds  | Other Funds    | Total Funds     |
| <b>Formula Expenditures</b><br>None. |                |                |             |                |                   |                |                |                 |                 |                |                |                 |
| <b>Non-Formula Expenditures</b>      |                |                |             |                |                   |                |                |                 |                 |                |                |                 |
| ASMI Language                        | 0.0            | 0.0            | 0.0         | 0.0            | 0.0               | 0.0            | 700.0          | 700.0           | 0.0             | 0.0            | 0.0            | 0.0             |
| Alaska Seafood Marketing Inst        | 6,982.7        | 2,138.2        | 71.7        | 9,192.6        | 30.5              | 3,500.0        | 7,017.8        | 10,548.3        | 0.0             | 3,500.0        | 7,030.3        | 10,530.3        |
| <b>Totals</b>                        | <b>6,982.7</b> | <b>2,138.2</b> | <b>71.7</b> | <b>9,192.6</b> | <b>30.5</b>       | <b>3,500.0</b> | <b>7,717.8</b> | <b>11,248.3</b> | <b>0.0</b>      | <b>3,500.0</b> | <b>7,030.3</b> | <b>10,530.3</b> |

## Alaska Seafood Marketing Institute

## Proposed Changes in Levels of Service for FY2002

See component information.

## Alaska Seafood Marketing Institute

## Summary of BRU Budget Changes by Component

## From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>30.5</b>          | <b>3,500.0</b>       | <b>7,717.8</b>     | <b>11,248.3</b>    |
| <b>Adjustments which get you to start of year:</b>               |                      |                      |                    |                    |
| -Alaska Seafood Marketing Inst                                   | 0.0                  | 0.0                  | -29.1              | -29.1              |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Alaska Seafood Marketing Inst                                   | -30.5                | 0.0                  | 41.6               | 11.1               |
| <b>Proposed budget decreases:</b>                                |                      |                      |                    |                    |
| -ASMI Language   | 0.0                  | 0.0                  | -700.0             | -700.0             |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>3,500.0</b>       | <b>7,030.3</b>     | <b>10,530.3</b>    |

**Component: Alaska Seafood Marketing Institute Language**

**Contact: Barbara J. Belknap, Executive Director**

**Tel:** (907) 465-5560 **Fax:** (907) 465-5572 **E-mail:** Barbara\_Belknap@dced.state.ak.us

**Component Mission**

See Alaska Seafood Marketing Component

**Component Services Provided**

No services provided.

**Component Goals and Strategies**

No goals and strategies.

**Key Component Issues for FY2001 – 2002**

No key issues.

**Major Component Accomplishments for FY2000**

No major accomplishments.

**Statutory and Regulatory Authority**

No statutes and regulations.

## Alaska Seafood Marketing Institute Language

## Component Financial Summary

*All dollars in thousands*

|                                    | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|------------------------------------|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>        |                |                   |                 |
| <b>Component Expenditures:</b>     |                |                   |                 |
| 71000 Personal Services            | 0.0            | 0.0               | 0.0             |
| 72000 Travel                       | 0.0            | 0.0               | 0.0             |
| 73000 Contractual                  | 0.0            | 0.0               | 0.0             |
| 74000 Supplies                     | 0.0            | 0.0               | 0.0             |
| 75000 Equipment                    | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings               | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims               | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                | 0.0            | 700.0             | 0.0             |
| <b>Expenditure Totals</b>          | <b>0.0</b>     | <b>700.0</b>      | <b>0.0</b>      |
| <b>Funding Sources:</b>            |                |                   |                 |
| 1005 General Fund/Program Receipts | 0.0            | 0.0               | 0.0             |
| 1156 Receipt Supported Services    | 0.0            | 700.0             | 0.0             |
| <b>Funding Totals</b>              | <b>0.0</b>     | <b>700.0</b>      | <b>0.0</b>      |

**Alaska Seafood Marketing Institute Language**  
**Proposed Changes in Levels of Service for FY2002**

No service changes.

**Summary of Component Budget Changes**  
**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

|                                   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|-----------------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>          | <b>0.0</b>           | <b>0.0</b>           | <b>700.0</b>       | <b>700.0</b>       |
| <b>Proposed budget decreases:</b> |                      |                      |                    |                    |
| -SLA 00 Ch 133 Section 9          | 0.0                  | 0.0                  | -700.0             | -700.0             |
| <b>FY2002 Governor</b>            | <b>0.0</b>           | <b>0.0</b>           | <b>0.0</b>         | <b>0.0</b>         |

## **Component: Alaska Seafood Marketing Institute**

**Contact: Barbara J. Belknap, Executive Director**

**Tel:** (907) 465-5560 **Fax:** (907) 465-5572 **E-mail:** Barbara\_Belknap@dced.state.ak.us

### **Component Mission**

To increase the consumption of Alaska seafood and to promote the quality and superiority of Alaska seafood products.

### **Component Services Provided**

ASMI has six programs: Export Marketing, Domestic Retail Marketing, Domestic Foodservice Marketing, Quality Information and Education and Public Relations. A new program, Salmon Marketing Director has been established as of September 2000 (FY 01) with the influx of the EDA Grant.

- 1) Export Marketing -- marketing Alaska seafood products in Asia, the European Union and Australia through a full spectrum of public relations, trade and consumer advertising, market research and trade promotion events. This component is financed by federal funds with a Receipt Supported Services (RSS) match and a 50% in-kind match from third party entities.
- 2) Domestic Retail Marketing -- marketing of all species of Alaska seafood in US markets through public relations, print advertising and electronic media, trade advertising and direct sales calls to retail chains by ASMI staff and three contract regional marketing representatives.
- 3) Domestic Foodservice Marketing -- increasing the consumption of Alaska seafood products through development of marketing opportunities in the foodservices sector including restaurant chains, hotel industry, institutional settings, culinary schools, and other commercial settings.
- 4) Quality Information and Education--improving the quality of Alaska seafood is one of the most important marketing components and ASMI works with fishermen, processors, brokers and traders, retail seafood handlers and chefs to ensure that quality products from Alaska are top of mind for the consumer.
- 5) Public Relations -- improving industry and trade relations to support the domestic marketing services by consolidating printed and electronic communications and providing public relations and awareness to increase visibility and consumption of Alaska seafood products.
- 6) Salmon Marketing Director -- responsible for developing and coordinating on Alaska salmon marketing plan that will lead to increased sales volume and product value for the Alaska salmon industry in the U S market.

### **Component Goals and Strategies**

To develop and initiate an Alaska Salmon Strategic Initiative.

- Develop positioning statement and consumer promise (s) for Alaska Salmon.
- Build brand value vs. price value
- Develop Alaska Salmon brand awareness and build customer loyalty.

To further integrate domestic and export marketing programs to maximize effectiveness of global branding for Alaska seafood products.

To increase consumer awareness of and a preference for Alaska seafood.

- Develop distribution and identity programs for Alaska seafood products at the wholesaler/distributor, retail, high volume foodservice operations, and consumer levels.



- Gain multiple ad features for three Alaska seafood products during key promotion periods in major retail markets.
- Achieve promotions with 10 or more commercial restaurant chains: casual, family and steak house themed restaurants.
- Obtain promotions with 15 or more top broad line distributors and their customers.
- Achieve promotions with 2-3 top contract management companies.
- Use ASMI identity seal/logo to develop an identity for Alaska seafood products at point-of-purchase.
- Attend and have show booth presence at as many worldwide trade shows as funding will allow.

To improve and maintain quality awareness throughout the harvesting, processing, and transportation links.

- Coordinate and sponsor seafood-processing industry Hazardous Analysis Critical Control Point (HACCP) training to better ensure Alaska seafood's domestic and international competitiveness.
- Distribute seafood shippers and cold storage technical educational materials aimed at better ensuring Alaska seafood quality is maintained during distribution.
- Expand training efforts among commercial fishermen and seafood processors on recommended handling practices and sanitation information.
- Promote new marketing aids for retail and foodservice through training programs that certify food handlers in safe food practices.
- Train wholesale seafood companies in proper handling procedures to reduce/eliminate poor quality product from getting to markets.
- Conduct research on quality and quality changes in frozen Alaska salmon to provide information and assurance to buyers resistant to frozen salmon.

To collect, organize, distribute, and make available to the public information on prices paid and market conditions for salmon and salmon products.

To cooperate with commercial fishermen and others in the industry to investigate market reception of new salmon product forms and to develop future markets for Alaska salmon.

### **Key Component Issues for FY2001 – 2002**

The seafood industry is the largest private employer in Alaska, providing one sixth of all the employment (35,000 full-time and 70,000 seasonal). The industry is losing markets due to increasing competition from foreign and domestic seafood producers, primarily farmed salmon. The farm competition now represents nearly 53% of all salmon production worldwide, which has negatively impacted consumption of Alaskan products in US and foreign markets.

ASMI's main issue and focus for FY01/FY02 will be to rejuvenate all of its marketing strategies based on sound market research: by utilizing a grant from the USDC Economic Development Administration to incorporate a new strategic marketing plan into all programs, which will assist the Alaska salmon industry in combating the impacts of imported farmed salmon in the United States markets; and to incorporate research results from ASMI's foreign markets into all overseas marketing programs

### **Major Component Accomplishments for FY2000**

#### **US MARKETS**

##### **Retail:**

- 13,000,000 lbs Alaska seafood Summer '99 "Grill & Chill" promotion in 5,000 stores.
- 4,000,000 lbs Alaska seafood sold 'spring 00 "Packet Cooking" joint promotion/ Reynolds Metals in 4,591 stores. Recipe release in 80 publications.
- U.S. Category Volume equivalent cases of canned salmon sold
  - 837,463 during Fall '99 "Canned Solution" promotion in 4,529 stores
  - 788,083 during spring '00 "Canned Solution" promotion in 1,963 stores
- New Retailers participating with ASMI -
- W. Lee Flowers (IGA), Scranton SC- (125 stores Georgia, North and South Carolina)

- Merchants Distributor, Inc., Hickory, NC- (900 stores East Coast)
- Food City/ Mid-Mountain Foods, Abingdon, VA- (88 stores).

Total New Promotional partners: 1,113 stores

- New Distribution-Super K-Mart (N. California)- 10 stores
- Sam's Wholesale Club (Bentonville, AR)- 482 stores
- Costco Companies (Issaquah, WA)- 290 stores
- Wal-Mart : (Bentonville, AR) - 442 stores
- BJ's Wholesale Club (Natick, MA) -87 stores
- Longs Drug Stores (Walnut Creek) -350 stores.

Total New Distribution: 1,661 stores

New Account:

- Piggly Wiggly, Charlotte- 107 stores. One of the largest chains in the Carolinas
- Promotional partnership with SCHWAN's has generated displaying the ASMI logo 52 weeks of Alaska branding/consumer visibility. ASMI now also has an Alaska page in their catalog, published 5 times a year.

Foodservice:

- Ryan's Family Steak House, (312 unit chain in Greer, S.C.) usage of Alaska salmon is estimated at 2.5 million pounds-an increase of 10% from the previous year.
- Marriott Hotels salmon promotion. 200 properties (50 NEW accounts U S/Canada). Preliminary results over 150,000 lbs of Alaska salmon sold.
- Denny's Restaurants featured an Alaska Salmon promotion. Denny's sells close to 1,000,000 lbs of Alaska salmon per year.
- Alliant-Raleigh: October Seafood/promotion 24,000 lbs of Alaskan seafood sold.
- Sysco-Minnesota: Lent Promotion 150,000 lbs of Alaska seafood products sold.
- Sysco-Miami: Cruise 2000 promotion over 120,000 lbs of Alaska Seafood sold.
- Wyndham Hotels: Promotion July/September 108 properties.100, 000 lbs sold.
- Chef's Collaborative: September 22-24th. ASMI sponsored conference for 400 executive chefs from all over the country regarding sustainable fisheries and the Marine Stewardship council (MSC) certification.
- MEG Conference: ASMI sponsored the Marketing Executives Group. 250 Marketing Directors from top U S restaurants in the country.
- National Association of Catering Executives (NACE): ASMI sponsor of NACE convention.400 members of catering executives' hotels & non-commercial business.

Foodservices NEW Accounts:

- Marie Callender's, 155 units. Halibut promotion. Estimates 85,000 lbs of halibut sold.
- Pappas Restaurants, 52 unit chain (Houston) Alaskan halibut summer /Fall promotion. Estimated volume of 45,000 lbs of Alaska Halibut to be sold.
- Mallard's in California. Serving 540 lunch/dinners per day.
- Fran's Healthy Helpings CA. Manufacturer healthy frozen meals in large food chains. Raise awareness of Alaska Seafood among over 10 million households.
- Sysco-Utah: Alaskan Cruise promotion. 27,000 lbs of seafood being sold.
- Sysco-Chicago: Lent promotion. 55,000 lbs of Alaskan seafood being sold. .
- Sysco.Largest foodservice marketing/distribution company in North America.Products and services to 356,000 customers. Sales of over \$19 billion.

## FOREIGN MARKETS

- Retail program in Japan achieved 128,582 store days/ 9,371 retail outlets- 6,807 metric tons of Alaska seafood products. Value over \$120,000,000.
- Export/Foodservice: 300 chefs attended seminars in Osaka/Fukuoka. 5,254 Alaska seafood meals were sold generating sales worth \$250,190 at the "Alaska Seafood Menu Fair".

- Lawson's 25th Anniversary, second largest convenience chain store in Japan. Alaska Sockeye salmon exclusively in their Bento (lunch) box April 2000 promotion. ASMI invested \$32,000 in this promotion. Total sales generated-\$15.9 million.
- Direct retail merchandising activities-European Union resulted sales of 269.5 metric tons of Alaska Seafood products at \$3.2 million. Expansion of foodservice account activity resulted in 479 Metric tons at \$2.9 million.
  - France, a TV program featuring Alaska Seafood was watched by 7 million viewers.
  - UK, 22 million consumers reached through Alaska Seafood Information Service activities. Over \$ 178,000 generated in free media coverage.
  - Spain, Export PR activities in 3 TV shows, 5 radio programs and 1HRI magazine.
  - UK, 12 new consumer recipes released to 750 publications.
- Retail promotion activities China. Over 41.2 MT sold valued at over \$200,000 in sales Foodservice promotion activities. Over 4,798 metric tons sold at over \$94,000 in sales.
  - Over 640 new trade leads were gathered over various promotional shows.
- Retail/Foodservice activities in Taiwan. 908 kgs of product sold. Valued at \$20,000.
  - Over 190 Trade leads were gathered in the Taipei International Food Show.

## Statutory and Regulatory Authority

AS 16.51.010-180  
AS 43.76.110-130  
15 AAC 116.600-700

## Key Performance Measures for FY2002

**Measure: Increase volume of product sold through ASMI promotions in FY02 by 10% in the United States.**  
*(Not yet addressed by Legislature.)*

**Current Status:**

ASMI is maximizing value of relationships with existing promotional partners, developing new retail and foodservice partnerships in areas of value-added products and increasing demand for Alaska seafood product usage via Alaska Seafood brand oriented marketing Programs.

**Benchmark:**

ASMI will use its own FY01 volume of pounds sold figures as a baseline for FY02.

**Background and Strategies:**

**Background:**

- A \$5 million grant to ASMI to assist the Alaska salmon industry against the impact of imported farmed salmon has been incorporated into ASMI's next three fiscal years' budgets.
- ASMI has increased the amount of funds for domestic marketing programs through the grant. The board has approved carrying forward a substantial amount of funds to serve as the match for the federal grant and to even out the potential shortfall expected due to loss of fish revenue.

**Strategies:** A three-year Strategic Marketing Plan (starting FY 01) has been implemented to create a dynamic market-driven environment that will expand the global consumption of Alaska seafood products by fostering growth opportunities within the food industry through collaborative marketing and quality assurance efforts.

- All species of seafood will benefit from the enhanced salmon marketing effort funded by the federal grant.

**Measure: The increase in the development of new markets.**  
*(Added by Legislature in FY2001 version.)*

**Current Status:**

ASMI is developing new retail and foodservice partnerships in areas of value-added products with non-commercial accounts and corporate divisions and increasing demand for Alaska seafood product usage via Alaska Seafood brand oriented marketing Programs.

**Benchmark:**

ASMI will use its own FY01 volume of pounds sold figures as a baseline for FY02.

**Background and Strategies:****Background:**

- A \$5 million grant to ASMI to assist the Alaska salmon industry against the impact of imported farmed salmon has been incorporated into ASMI's next three fiscal years' budgets.
- ASMI has increased the amount of funds for domestic marketing programs through the grant. The board has approved carrying forward a substantial amount of funds to serve as the match for the federal grant and to even out the potential shortfall expected due to loss of fish revenue.

**Strategies:** A three-year Strategic Marketing Plan (starting FY 01) has been implemented to create a dynamic market-driven environment that will expand the global consumption of Alaska seafood products by fostering growth opportunities within the food industry through collaborative marketing and quality assurance efforts.

- All species of seafood will benefit from the enhanced salmon marketing effort funded by the federal grant.

**Measure: The increase in pounds of seafood sold.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

In FY00 21,000,000 lbs of Alaskan Seafood and over 1,600,000 U.S. Category Volume equivalent cases of canned salmon sold in ASMI sponsored Retail promotions. Over 4,000,000 lbs of Alaskan Seafood sold during ASMI Foodservice sponsored promotions.

**Benchmark:**

ASMI will use its own FY01 volume of pounds sold figures as a baseline for FY02.

**Background and Strategies:****Background:**

- A \$5 million grant to ASMI to assist the Alaska salmon industry against the impact of imported farmed salmon has been incorporated into ASMI's next three fiscal years' budgets.
- ASMI has increased the amount of funds for domestic marketing programs through the grant. The board has approved carrying forward a substantial amount of funds to serve as the match for the federal grant and to even out the potential shortfall expected due to loss of fish revenue.

**Strategies:** A three-year Strategic Marketing Plan (starting FY 01) has been implemented to create a dynamic market-driven environment that will expand the global consumption of Alaska seafood products by fostering growth opportunities within the food industry through collaborative marketing and quality assurance efforts.

- All species of seafood will benefit from the enhanced salmon marketing effort funded by the federal grant.

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|---|-----------------|-----------------|-------------------------|------------------------------|---------------------------|
| • Increase volume of product sold through ASMI promotions in FY01 by 10% in the United States market. |                 | X               |                         |                              |                           |
| • The increase in the development of new markets.   |                 | X               |                         |                              |                           |
| • The increase in pounds of seafood sold.   |                 | X               |                         |                              |                           |

## Alaska Seafood Marketing Institute

### Component Financial Summary

*All dollars in thousands*

|                                    | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|------------------------------------|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>        |                |                   |                 |
| <b>Component Expenditures:</b>     |                |                   |                 |
| 71000 Personal Services            | 1,118.4        | 1,209.7           | 1,209.9         |
| 72000 Travel                       | 502.0          | 418.0             | 418.0           |
| 73000 Contractual                  | 7,318.3        | 8,732.1           | 8,713.9         |
| 74000 Supplies                     | 185.4          | 180.0             | 180.0           |
| 75000 Equipment                    | 68.5           | 8.5               | 8.5             |
| 76000 Land/Buildings               | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims               | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>          | <b>9,192.6</b> | <b>10,548.3</b>   | <b>10,530.3</b> |
| <b>Funding Sources:</b>            |                |                   |                 |
| 1002 Federal Receipts              | 2,138.2        | 3,500.0           | 3,500.0         |
| 1005 General Fund/Program Receipts | 6,982.7        | 0.0               | 0.0             |
| 1007 Inter-Agency Receipts         | 71.7           | 0.0               | 0.0             |
| 1053 Investment Loss Trust Fund    | 0.0            | 30.5              | 0.0             |
| 1156 Receipt Supported Services    | 0.0            | 7,017.8           | 7,030.3         |
| <b>Funding Totals</b>              | <b>9,192.6</b> | <b>10,548.3</b>   | <b>10,530.3</b> |

### Estimated Revenue Collections

| Description                     | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|---------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>    |                        |                |                   |                      |                 |                 |
| Interagency Receipts            | 51015                  | 71.7           | 0.0               | 0.0                  | 0.0             | 0.0             |
| General Fund Program Receipts   | 51060                  | 443.4          | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>       |                        | <b>515.1</b>   | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>      |                        |                |                   |                      |                 |                 |
| Federal Receipts                | 51010                  | 2,138.2        | 3,500.0           | 3,500.0              | 3,500.0         | 3,500.0         |
| General Fund Program Receipts   | 51060                  | 6,982.7        | 0.0               | 0.0                  | 0.0             | 0.0             |
| Receipt Supported Services      | 51073                  | 0.0            | 7,017.8           | 7,017.8              | 7,030.3         | 7,030.3         |
| Investment Loss Trust Fund      | 51393                  | 0.0            | 30.5              | 30.5                 | 0.0             | 0.0             |
| <b>Restricted Total</b>         |                        | <b>9,120.9</b> | <b>10,548.3</b>   | <b>10,548.3</b>      | <b>10,530.3</b> | <b>10,530.3</b> |
| <b>Total Estimated Revenues</b> |                        | <b>9,636.0</b> | <b>10,548.3</b>   | <b>10,548.3</b>      | <b>10,530.3</b> | <b>10,530.3</b> |

**Alaska Seafood Marketing Institute**  
**Proposed Changes in Levels of Service for FY2002**

None.

**Summary of Component Budget Changes**  
**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

|   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>  | <b>30.5</b>          | <b>3,500.0</b>       | <b>7,017.8</b>     | <b>10,548.3</b>    |
| <b>Adjustments which get you to start of year:</b>                |                      |                      |                    |                    |
| -Update Executive Administration and Support Cost Allocation Plan | 0.0                  | 0.0                  | -29.1              | -29.1              |
| <b>Adjustments which will continue current level of service:</b>  |                      |                      |                    |                    |
| -Convert Special FY2001 Labor Cost Fund Sources to Rcpt Svcs      | -30.5                | 0.0                  | 30.5               | 0.0                |
| -Year 2 Labor Costs - Net Change from Fy 2001                     | 0.0                  | 0.0                  | 11.1               | 11.1               |
| <b>FY2002 Governor</b>  | <b>0.0</b>           | <b>3,500.0</b>       | <b>7,030.3</b>     | <b>10,530.3</b>    |

## Alaska Seafood Marketing Institute

## Personal Services Information

| Authorized Positions |                      |                    | Personal Services Costs          |                  |
|----------------------|----------------------|--------------------|----------------------------------|------------------|
|                      | FY2001<br>Authorized | FY2002<br>Governor |                                  |                  |
| Full-time            | 18                   | 18                 | Annual Salaries                  | 924,234          |
| Part-time            | 0                    | 0                  | COLA                             | 21,754           |
| Nonpermanent         | 0                    | 0                  | Premium Pay                      | 0                |
|                      |                      |                    | Annual Benefits                  | 299,055          |
|                      |                      |                    | <i>Less 2.82% Vacancy Factor</i> | (35,143)         |
|                      |                      |                    | Lump Sum Premium Pay             | 0                |
| <b>Totals</b>        | <b>18</b>            | <b>18</b>          | <b>Total Personal Services</b>   | <b>1,209,900</b> |

## Position Classification Summary

| Job Class Title               | Anchorage | Fairbanks | Juneau   | Others   | Total     |
|-------------------------------|-----------|-----------|----------|----------|-----------|
| Accounting Technician         | 0         | 0         | 3        | 0        | 3         |
| Admin Support Technician      | 0         | 0         | 1        | 1        | 2         |
| Administrative Officer        | 0         | 0         | 1        | 0        | 1         |
| Asst Marketing Director       | 0         | 0         | 0        | 1        | 1         |
| Asst Marketing Specialist     | 0         | 0         | 0        | 1        | 1         |
| Communications Coordinator    | 0         | 0         | 1        | 0        | 1         |
| Executive Director            | 0         | 0         | 1        | 0        | 1         |
| Export Program Director       | 0         | 0         | 0        | 1        | 1         |
| Foodservice Director          | 0         | 0         | 0        | 1        | 1         |
| Marketing Assistant           | 0         | 0         | 0        | 1        | 1         |
| Marketing Specialist          | 0         | 0         | 0        | 1        | 1         |
| Project Assistant             | 0         | 0         | 1        | 0        | 1         |
| Quality Assurance Coordinator | 0         | 0         | 1        | 0        | 1         |
| Retail Program Director       | 0         | 0         | 0        | 1        | 1         |
| Sr Marketing Spec/Res Analyst | 0         | 0         | 0        | 1        | 1         |
| <b>Totals</b>                 | <b>0</b>  | <b>0</b>  | <b>9</b> | <b>9</b> | <b>18</b> |

## **Alaska Science and Technology Foundation Budget Request Unit**

**Contact: Jamie Kenworthy, Executive Director**

**Tel:** (907) 272-4333 **Fax:** (907) 274-6228 **E-mail:** jkenworthy@astf.org

### **BRU Mission**

See Alaska Science and Technology Foundation component narrative.

### **BRU Services Provided**

No services provided.

### **BRU Goals and Strategies**

No goals and strategies.

### **Key BRU Issues for FY2001 – 2002**

No key issues.

### **Major BRU Accomplishments for FY2000**

No major accomplishments.



## Alaska Science and Technology Foundation

## BRU Financial Summary by Component

*All dollars in thousands*

|   | FY2000 Actuals |               |                |                | FY2001 Authorized |               |                 |                 | FY2002 Governor |               |                |                |
|---|----------------|---------------|----------------|----------------|-------------------|---------------|-----------------|-----------------|-----------------|---------------|----------------|----------------|
|   | General Funds  | Federal Funds | Other Funds    | Total Funds    | General Funds     | Federal Funds | Other Funds     | Total Funds     | General Funds   | Federal Funds | Other Funds    | Total Funds    |
| <b>Formula Expenditures</b><br>None.                            |                |               |                |                |                   |               |                 |                 |                 |               |                |                |
| <b>Non-Formula Expenditures</b><br>AK Science & Tech Found Lang | 0.0            | 0.0           | 0.0            | 0.0            | 0.0               | 0.0           | 2,000.0         | 2,000.0         | 0.0             | 0.0           | 1,000.0        | 1,000.0        |
| AK Science & Tech. Foundation                                   | 0.0            | 0.0           | 8,477.0        | 8,477.0        | 0.0               | 0.0           | 9,001.5         | 9,001.5         | 0.0             | 0.0           | 8,992.1        | 8,992.1        |
| <b>Totals</b>   | <b>0.0</b>     | <b>0.0</b>    | <b>8,477.0</b> | <b>8,477.0</b> | <b>0.0</b>        | <b>0.0</b>    | <b>11,001.5</b> | <b>11,001.5</b> | <b>0.0</b>      | <b>0.0</b>    | <b>9,992.1</b> | <b>9,992.1</b> |

**Alaska Science and Technology Foundation**  
**Proposed Changes in Levels of Service for FY2002**

No service changes.

**Alaska Science and Technology Foundation**  
**Summary of BRU Budget Changes by Component**  
**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>11,001.5</b>    | <b>11,001.5</b>    |
| <b>Adjustments which get you to start of year:</b>               |                      |                      |                    |                    |
| -AK Science & Tech. Foundation                                   | 0.0                  | 0.0                  | -13.5              | -13.5              |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -AK Science & Tech. Foundation                                   | 0.0                  | 0.0                  | 4.1                | 4.1                |
| <b>Proposed budget decreases:</b>                                |                      |                      |                    |                    |
| -AK Science & Tech Found Lang                                    | 0.0                  | 0.0                  | -1,000.0           | -1,000.0           |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>9,992.1</b>     | <b>9,992.1</b>     |

**Component: Alaska Science and Technology Foundation Language**

**Contact: Jamie Kenworthy, Executive Director**

**Tel:** (907) 272-4333 **Fax:** (907) 274-6228 **E-mail:** jkenworthy@astf.org

**Component Mission**

See Alaska Science and Technology Foundation Component.

**Component Services Provided**

No services provided.

**Component Goals and Strategies**

No goals and strategies.

**Key Component Issues for FY2001 – 2002**

No key issues.

**Major Component Accomplishments for FY2000**

No major accomplishments.

**Statutory and Regulatory Authority**

No statutes and regulations.

## Alaska Science and Technology Foundation Language

## Component Financial Summary

All dollars in thousands

|  | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                |                |                   |                 |
| <b>Component Expenditures:</b>             |                |                   |                 |
| 71000 Personal Services                    | 0.0            | 0.0               | 0.0             |
| 72000 Travel                               | 0.0            | 0.0               | 0.0             |
| 73000 Contractual                          | 0.0            | 0.0               | 0.0             |
| 74000 Supplies                             | 0.0            | 0.0               | 0.0             |
| 75000 Equipment                            | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings                       | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                       | 0.0            | 2,000.0           | 1,000.0         |
| 78000 Miscellaneous                        | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                  | <b>0.0</b>     | <b>2,000.0</b>    | <b>1,000.0</b>  |
| <b>Funding Sources:</b>                    |                |                   |                 |
| 1025 Science & Technology Endowment Income | 0.0            | 2,000.0           | 1,000.0         |
| <b>Funding Totals</b>                      | <b>0.0</b>     | <b>2,000.0</b>    | <b>1,000.0</b>  |

## Estimated Revenue Collections

| Description                         | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|-------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>        |                        |                |                   |                      |                 |                 |
| None.                               |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>           |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>          |                        |                |                   |                      |                 |                 |
| Science/Technology Endowment Income | 51375                  | 0.0            | 0.0               | 0.0                  | 1,000.0         | 0.0             |
| <b>Restricted Total</b>             |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>1,000.0</b>  | <b>0.0</b>      |
| <b>Total Estimated Revenues</b>     |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>1,000.0</b>  | <b>0.0</b>      |

**Alaska Science and Technology Foundation Language****Proposed Changes in Levels of Service for FY2002**

No service changes.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|                                   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|-----------------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>          | <b>0.0</b>           | <b>0.0</b>           | <b>2,000.0</b>     | <b>2,000.0</b>     |
| <b>Proposed budget decreases:</b> |                      |                      |                    |                    |
| -FY 2002 Carryforward Estimate    | 0.0                  | 0.0                  | -1,000.0           | -1,000.0           |
| <b>FY2002 Governor</b>            | <b>0.0</b>           | <b>0.0</b>           | <b>1,000.0</b>     | <b>1,000.0</b>     |

## **Component: Alaska Science and Technology Foundation**

**Contact: Jamie Kenworthy, Executive Director**

**Tel:** (907) 272-4333 **Fax:** (907) 274-6228 **E-mail:** jkenworthy@astf.org

### **Component Mission**

The mission of ASTF is to support the development and application of science and technology.

### **Component Services Provided**

The Alaska Science & Technology Foundation (ASTF) was formed by the Governor and the Alaska State Legislature in 1988. By statute, ASTF is responsible for the development, funding, and monitoring of grant programs for basic and applied research and its commercialization. All ASTF projects must include innovative science or technology, clear research and business plans to show technical and economic feasibility, appropriate match and risk sharing, and expected significant benefit to the state. Funded projects substantially contribute to the economic development of the State's scientific and engineering capabilities.

### **Component Goals and Strategies**

ASTF's first goal is to realize the economic and non-economic benefits of the application of innovative science and technology projects. A second goal is to build a more entrepreneurial Alaska economy by helping enhance a business environment where Alaska has the confidence, know-how, technology, and risk capital to grow an economy of sustainable wealth.

To realize these goals ASTF has the two broad strategies. The first is to co-invest in group projects which bring together scientists, engineers, business people, and regulators when applicable, in an industry group to tackle an opportunity or individual projects involving an entrepreneur and the end user of the science or technology. Projects aim to increase Alaska's technology economy or seek to prove up the science or technology to make existing sectors of the state's economic base (seafood, mining, energy, forest products, etc.) more competitive.

Beyond particular projects, the second broad strategy is to partner with other market-based organizations to build up the entrepreneurial infrastructure necessary to support technology-based economic development. So ASTF aims to help establish and institutionalize ongoing capability so Alaska entrepreneurs have access to the risk capital (Alaska Growth Capital BIDCO, Alaska InvestNet), information workers (Information Technology Careers Consortium, High Tech Business Council), and applied technology (University of Alaska, Alaska Manufacturing Association, and private sector firms) so Alaska's economy builds a more sustainable economic base.

How projects are structured and funded often determines whether they succeed. ASTF funds early stage, longer-term projects that are generally more applied than basic research at universities but not mature enough yet to be fully supported by the private sector. ASTF seeks to apply market-based principles to the funding and management of these early stage commercial projects. So all ASTF activities must have some common characteristics of being based on potential sustainable market economics, pulling together competent teams to both develop and commercialize the science or technology, achieving clear benchmarks to insure Alaska benefit, involving the end user of the science or technology, and showing cost sharing demonstrating appropriate sharing of risk and reward.

#### **Key FY02 Goals**

- Work with private sector to establish venture capital offices in state. (No active VC currently in state and while no ASTF funding anticipated in this area, this remain an important capital gap for technology startups and larger debt-equity deals not being financed now or having to leave the state for financing.)
- Ensure that key industry led group projects (Alaska Manufacturing Association, Information Technology Career Consortium, Alaska InvestNet, etc.) ramp up to meet defined market needs.

- Continue to improve performance for ASTF-funded projects as measured by performance measures and project benchmarks.
- Work with University of Alaska and Alaska engineering community to establish improved capability for cold regions engineering at UAF and UAA. ASTF will potentially co-fund \$500 K in qualified projects to meet the federal EPSCOR match from the National Science Foundation to increase quality and lower the cost of arctic construction.
- Work with statewide business groups on enlarging discussion of steps to grow state's New Economy and the state's existing economic base.

### **Key Component Issues for FY2001 – 2002**

#### **Fewer Resources**

The \$101 million principal of ASTF's endowment is co-invested with the Permanent Fund and generates earnings annually appropriated by the legislature for both ASTF and the non-ASTF purposes. The cumulative effects of annual operating budget appropriations of ASTF earnings (University of Alaska \$2.6 M, Alaska Aerospace Development Corporation \$558 K) and ASTF's past support of the state's share of large capital projects (Kodiak Launch Complex \$10 M, UAF Low Rank Coal Water Fuel \$4.25 M) have been to reduce ASTF's annual grant budget from approximately \$8-9 M to less than \$5 M starting in FY02. With a lower amount of principal to generate earnings and fewer capital gains expected in a flatter stock market than seen in recent years, the full impact of the shortfall is only borne by the ASTF's ability to co-finance new projects. At a time when Alaska's economy is growing more slowly than the national economy and our faster growing technology sector is still relatively small compared to other states, this lessened ability of ASTF to provide seed capital and finance group projects with industry merits concern.

#### **Staff Availability:**

Time availability of staff to respond to proposers and groups who want to work with ASTF is at a premium. ASTF's 1995 five year commitment to a flat operating budget remains in place with the result that the ratio of operating budget to project budget has declined. To fulfill our mission, ASTF will continue both to receive significantly more than budgeted time from staff to stay up with workload and to seek to build increased capability in private sector to finance and assist early stage technology-based firms.

### **Major Component Accomplishments for FY2000**

Accomplishments are tracked and managed by technical and commercial benchmarks identified at the time of project funding as well as surveyed annually to aggregate legislated performance benchmarks.

#### **Individual and Group projects:**

##### **Improve the competitiveness of the Alaska minerals industry:**

- Demonstrated garnet can be a valuable placer mining byproduct
- Water quality - first year of Total Dissolved Solid (TDS) project completed with biological marker species identified and salmon work underway. Project being done in conjunction with state agencies and the Alaska Producers Council so that more science defensible standards can be developed for key water quality permitting issue.
- Launched Ester Dome project with broad stakeholder involvement to characterize the hydrology of Ester and other Interior dome structures.

##### **Improve the competitiveness of the Alaska seafood industry:**

- Demonstrated two technologies to improve salmon quality: DEC accepted results of ozonated water wash process (Salmon Forum item) and sodium chlorite demonstrated for use in refrigerated sea water.
- Biotech Paralytic Shellfish Poisoning (PSP) test kit demonstrated at Palmer DEC lab and field kit test done.
- Cordova Salmon quality project completed by fishers, processors, Surefish, and Alaska Manufacturing Association

Enhance the competitiveness of the Alaska forest products industry:

- Through ASTF support of the Alaska Manufacturing Association (AKMA), seven mills now have approximately 70-90 million board feet a year dimensional lumber graded by the Western Wood Products Association representative in state. For the first time, this amount now approximately equals state imports.
- Funding has been secured to establish a Ketchikan-based program to prove up the superior design properties of Alaska spruce, cedar, and hemlock in order to better compete with Canadian products.
- Yellow cedar grading has led to more local sales in Southeast.

Increase the use of technology in education to expand the state's science and engineering capabilities:

- With connection of Hyder school, the Internet K-12 program has been completed. 53 districts matched \$4,834,225 of ASTF funds with \$11,257,729 and countless Netday volunteers. In Anchorage and other districts, \$10 K per school grant for wiring and routers combined with volunteer Saturday efforts of volunteers averaging \$10 K expenses to wire schools where original cost estimates of \$80K/school if contracted out.
- An estimated 3000 K-12 students statewide participated in ASTF-funded classroom projects in math, science, or technology.
- All teacher science projects are accessible on the ASTF web site at [www.astf.org](http://www.astf.org)
- Internet science museum program completed with broad band connectivity for interactive programs at Challenger Center Kenai, Pratt Museum Homer, Seward SeaLife Center, and Alaska Native Heritage Center.

Other Projects:

- Petro Star won a \$1.6 M competitive grant to scale up the chemical process ASTF and Petro Star both invested in three years ago. The next stage is a small Valdez pilot plant that will prove the economics of a new patented process that will allow smaller Alaska-size refineries to desulfurize diesel fuel to meet announced federal standards.
- An ASTF project established the state's first genotyping lab in Anchorage for the earlier detection and treatment of Alaskans with Hepatitis C who are likely not to know it. The project brings together UAA, the Alaska Native Medical Center, and representatives of Providence Hospital and Alaska Regional Hospital.

Building a More Entrepreneurial Economy

Enhance infrastructure for technology and business development

Risk Capital:

- Alaska Growth Capital (AGC) BIDCO capitalization has been increased to \$7.9 million to do pre-bankable deals. In 1999 investments totaled \$2.6 M. Key projects include initial financing of Wrangell Seafood plant, Adak Seafood, and smaller technology companies. With ASTF funds AGC financed new product line for Omega Sea plant in Sitka. AGC reports it has made loans to 16 organizations who have created or retained 188 jobs.
- Alaska InvestNet introduces entrepreneurs to investors. Equity placements have occurred in businesses generating 77 jobs and \$12 million in revenues. Alaska InvestNet held five venture breakfasts and nine forums in Fairbanks, Juneau, and Anchorage on business evaluation, SEC regulations regarding raising private equity, and business planning for startup ventures.
- ASTF-supported Alaska Technology Transfer Assistance has helped Alaskan entrepreneurs win \$4 million of federal Small Business Innovation Research seed grants, an all time high.

Technology Workers:

- ASTF and UA convened Information Technology employers and educators and agreed on technical and soft skills necessary for 15 different IT occupations in demand in the state. As a result, ASTF funded the High Tech Business Council to launch the startup of the IT Careers Consortium, employers are matching \$678 K ASTF funds for program to educate and hire new IT workers, and Anchorage Muni and Mat-Su gained \$2.3 M federal grant for training IT workers based on skill and job shortages documented by the group project.

Economy:

- Alaska Science and Technology Innovation Index released ([www.astf.org](http://www.astf.org)) which benchmarks Alaska's performance against the nation and other states.
- Alaska Long Term Economic Strategy published and reviewed with major business groups.
- Updated Guide to Financing and Technical Assistance put up on many web sites so any business person looking for technical or financial assistance can be pointed to applicable state and federal programs after answering key



questions on the stage and needs of their business. (This is the web-based answer to the recommendation of the 1996 Senate Small Business Task Force to better communicate programs to assist small firms.)

Administration:

Maintain administrative service goals:

- Met internal benchmarks for timely response for preproposals, proposals, and grant agreements.
- Updated documentation of repayment obligations and status for all ASTF projects to date.

## **Statutory and Regulatory Authority**

AS37.17.010-17.040

AS37.17.200

AS37.17.440

AS10.10.010

Executive Order No. 90

## **Key Performance Measures for FY2002**

### **Measure: The number of new jobs from technology projects.**

*(Developed jointly with Legislature in FY2001.)*

#### **Current Status:**

In September 2000, ASTF surveyed 99 technology project grantees and received responses from 88 grantees. The surveys were sent to grantees that had completed their grant work within the last five years as well as active grantees that are farther along with their project or product development.

245 full time equivalent jobs were reported by 46 out of 88 technology project grantees.

#### **Benchmark:**

Suggested benchmarks are an average of five jobs per grantee for those grantees reporting jobs and at least 50% of technology project grantees reporting jobs. This ratio reflects that grantees have both technical and business hurdles to achieve. ASTF co-invests in early stage business concepts prior to the concept becoming 'bankable'.

#### **Background and Strategies:**

ASTF co-invests in new and existing firms that use science or technological innovation to grow their business and achieve Alaska economic benefit. To achieve new job/revenue creation, ASTF co-invests in firms that have strong business plans, management capability, and plans for post-ASTF grant funding if required.

### **Measure: The new revenue from technology projects.**

*(Developed jointly with Legislature in FY2001.)*

#### **Current Status:**

\$20.2 million in new revenues were reported by 45 out of 88 technology project grantees.

#### **Benchmark:**

Suggested benchmarks are an average of \$250,000 per grantee for those grantees reporting revenues and at least 40% of the technology project grantees reporting jobs. This percentage (40%) is less than the suggested 50% percentage of grantees reporting jobs because developments jobs are required prior to the onset of sales.

#### **Background and Strategies:**

ASTF co-invests in new and existing firms that use science or technological innovation to grow their business and achieve Alaska economic benefit. To achieve new job/revenue creation, ASTF co-invests in firms that have strong business plans, management capability, and plans for post-ASTF grant funding if required.

**Measure: The percentage of technology project grantees in business because of ASTF grants***(Developed jointly with Legislature in FY2001.)***Current Status:**

53% (47 out of 88) reported being in business because of their ASTF grant

**Benchmark:**

50% is suggested.

**Background and Strategies:**

ASTF co-invests in new business concepts in a portfolio of both new and existing firms. Most Alaskan firms cannot afford R&D projects or risk. New firms offer exciting growth possibilities. Existing firms seeking to add a new business line offer business experience and infrastructure, managerial and financial depth, and support services.

**Measure: The increase in student achievement in math and science as a result of ASTF teacher grants***(Revised from Legislature's FY2001 version.)***Current Status:**

ASTF also surveyed 50 FY99 teacher grantees and received responses from 34, a 68% response rate. About 80 students participated in each teacher grant.

37% greatly increased, 49% increased, 13% no change, 1% decreased, 0% greatly decreased

**Benchmark:**

At least 80% increased or greatly increased. Benchmark was revised only to separately measure increase in both student achievement and student interest in math and science

**Background and Strategies:**

ASTF develops Alaska's capacity for science and engineering by funding competitive science, math and technology classroom projects for Alaska K-12 students. These projects have been highly successful in developing students' interest and achievement in math, science and technology. In addition to funding approximately 50 new teacher grants per year, in FY 01 ASTF will begin targeting critically understaffed career fields through specialized teacher grant offerings in addition to the main Direct Grants to Teachers program.

**Measure: The increase in student interest in math and science as a result of ASTF teacher grants***(Revised from Legislature's FY2001 version.)***Current Status:**

42% greatly increased, 46% increased, 12% no change, 1% decreased, and 0% greatly decreased

**Benchmark:**

At least 80% increased or greatly increased.

**Background and Strategies:**

ASTF develops Alaska's capacity for science and engineering by funding competitive science, math and technology classroom projects for Alaska K-12 students. These projects have been highly successful in developing students' interest and achievement in math, science and technology. In addition to funding approximately 50 new teacher grants per year, in FY 01 ASTF will begin targeting critically understaffed career fields through specialized teacher grant offerings in addition to the main Direct Grants to Teachers program.

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|---|-----------------|-----------------|-------------------------|------------------------------|---------------------------|
| <ul style="list-style-type: none"> <li>Increase the three-year average of new jobs established by ASTF funded technology projects to 6 jobs/project by 2001.</li> </ul> |                 |                 | X                       |                              |                           |

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon<br/>to tell</i> | <i>Not likely<br/>to achieve</i> | <i>Needs<br/>modification</i> |
|---|-----------------|-----------------|-----------------------------|----------------------------------|-------------------------------|
| <ul style="list-style-type: none"> <li>• Increase the three-year average technology project revenue to \$150,000/project by 2001.</li> <li>• Increase the three-year average % of technology project grantees in business due to ASTF grant to 50% by 2001.</li> <li>• Increase the three-year average % of technology project grantees who report new/improved products/processes/services to 90% or greater by 2001.</li> <li>• Increase the three-year average % of technology and knowledge projects which increase basic scientific and technology knowledge to 72% by 2001.</li> <li>• Increase the three-year average % of knowledge projects which develop new processes or services, or reduced costs to 64% by 2001.</li> <li>• The number of new jobs from technology projects.</li> <li>• The new revenue from technology projects.</li> <li>• The percentage of technology project grantees in business because of ASTF grants.</li> <li>• The increase in student achievement and interest in math and science as a result of ASTF teacher grants.</li> </ul> | X               | X               | X                           |                                  |                               |
|   |                 |                 | X                           |                                  |                               |
|   |                 |                 | X                           |                                  |                               |
|   |                 |                 | X                           |                                  |                               |
|   | X               |                 |                             |                                  |                               |
|   | X               |                 |                             |                                  |                               |
|   | X               |                 |                             |                                  |                               |
|   | X               |                 |                             |                                  |                               |

## Alaska Science and Technology Foundation

## Component Financial Summary

All dollars in thousands

|  | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                |                |                   |                 |
| <b>Component Expenditures:</b>             |                |                   |                 |
| 71000 Personal Services                    | 652.1          | 604.8             | 653.9           |
| 72000 Travel                               | 37.5           | 84.0              | 84.0            |
| 73000 Contractual                          | 486.6          | 582.0             | 523.5           |
| 74000 Supplies                             | 12.5           | 16.5              | 16.5            |
| 75000 Equipment                            | 46.3           | 0.0               | 0.0             |
| 76000 Land/Buildings                       | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                       | 7,242.0        | 7,714.2           | 7,714.2         |
| 78000 Miscellaneous                        | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                  | <b>8,477.0</b> | <b>9,001.5</b>    | <b>8,992.1</b>  |
| <b>Funding Sources:</b>                    |                |                   |                 |
| 1025 Science & Technology Endowment Income | 8,477.0        | 9,001.5           | 8,992.1         |
| <b>Funding Totals</b>                      | <b>8,477.0</b> | <b>9,001.5</b>    | <b>8,992.1</b>  |

## Estimated Revenue Collections

| Description                         | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|-------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>        |                        |                |                   |                      |                 |                 |
| None.                               |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>           |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>          |                        |                |                   |                      |                 |                 |
| Science/Technology Endowment Income | 51375                  | 8,477.0        | 9,001.5           | 9,001.5              | 8,992.1         | 8,992.1         |
| <b>Restricted Total</b>             |                        | <b>8,477.0</b> | <b>9,001.5</b>    | <b>9,001.5</b>       | <b>8,992.1</b>  | <b>8,992.1</b>  |
| <b>Total Estimated Revenues</b>     |                        | <b>8,477.0</b> | <b>9,001.5</b>    | <b>9,001.5</b>       | <b>8,992.1</b>  | <b>8,992.1</b>  |

**Alaska Science and Technology Foundation**  
**Proposed Changes in Levels of Service for FY2002**

None.

**Summary of Component Budget Changes**  
**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

|   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>  | <b>0.0</b>           | <b>0.0</b>           | <b>9,001.5</b>     | <b>9,001.5</b>     |
| <b>Adjustments which get you to start of year:</b>                |                      |                      |                    |                    |
| -Update Executive Administration and Support Cost Allocation Plan | 0.0                  | 0.0                  | -13.5              | -13.5              |
| <b>Adjustments which will continue current level of service:</b>  |                      |                      |                    |                    |
| -Year 2 Labor Costs - Net Change from Fy 2001                     | 0.0                  | 0.0                  | 4.1                | 4.1                |
| <b>FY2002 Governor</b>  | <b>0.0</b>           | <b>0.0</b>           | <b>8,992.1</b>     | <b>8,992.1</b>     |

## Alaska Science and Technology Foundation

## Personal Services Information

| Authorized Positions |                      |                    | Personal Services Costs          |                |
|----------------------|----------------------|--------------------|----------------------------------|----------------|
|                      | FY2001<br>Authorized | FY2002<br>Governor |                                  |                |
| Full-time            | 6                    | 6                  | Annual Salaries                  | 516,878        |
| Part-time            | 1                    | 1                  | COLA                             | 11,963         |
| Nonpermanent         | 0                    | 0                  | Premium Pay                      | 4,800          |
|                      |                      |                    | Annual Benefits                  | 140,407        |
|                      |                      |                    | <i>Less 2.99% Vacancy Factor</i> | (20,148)       |
|                      |                      |                    | Lump Sum Premium Pay             | 0              |
| <b>Totals</b>        | <b>7</b>             | <b>7</b>           | <b>Total Personal Services</b>   | <b>653,900</b> |

## Position Classification Summary

| Job Class Title                | Anchorage | Fairbanks | Juneau   | Others   | Total    |
|--------------------------------|-----------|-----------|----------|----------|----------|
| Admin Assistant                | 1         | 0         | 0        | 0        | 1        |
| Executive Director, ASTF       | 1         | 0         | 0        | 0        | 1        |
| Grants Administrator           | 1         | 0         | 0        | 0        | 1        |
| Group Projects Administrator   | 1         | 0         | 0        | 0        | 1        |
| Office Manager                 | 1         | 0         | 0        | 0        | 1        |
| Outreach Administrator         | 0         | 1         | 0        | 0        | 1        |
| Technology Administrator, ASTF | 1         | 0         | 0        | 0        | 1        |
| <b>Totals</b>                  | <b>6</b>  | <b>1</b>  | <b>0</b> | <b>0</b> | <b>7</b> |

## **BRU/Component: Banking, Securities and Corporations**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

**Contact: Franklin T. Elder, Division Director**

**Tel:** (907) 465-2521 **Fax:** (907) 465-2549 **E-mail:** Terry\_Elder@dced.state.ak.us

### **Component Mission**

The mission of the Division of Banking, Securities, and Corporations is to

- 1) maintain a stable financial network in the state for the safe conduct of financial services;
- 2) protect securities investors;
- 3) provide in-state and out-of-state businesses with a legal structure enabling them to transact commerce in the state.

### **Component Services Provided**

Banking Section: regulates financial institutions that are chartered or licensed under state law.

- Charters, licenses, and supervises state-chartered commercial banks, mutual savings banks, credit unions, trust companies, bank holding companies, interstate branching, small loan offices, premium finance companies, Commercial Fishing and Agriculture Bank (CFAB), and Business and Industrial Development Corporations (BIDCOS); and accepts filings under the Model Foreign Bank Loan Act.
- Monitors all aspects of the regulated financial industry, including various financial ratios and management policies through examinations and from information gathered through other reporting by institutions. Suggestions are made to institutions for improvement of weak practices and policies. The division may require an institution to take corrective actions when material safety and soundness concerns are found. The division seeks industry ideas on ways to improve banking services.
- The Banking Section undertook a major project to revise Title 06 as a result of passage of the Gramm-Leach-Bliley Act. We are developing a proposed bill for introduction during this legislative session.

Securities Section: administers the Alaska Securities Act, which deals with broker/dealers, investment advisers, and the securities and advice they sell.

- Regulates the offer and sale of securities in Alaska. Enforces the anti-fraud and disclosure requirements of the Alaska Securities Act. Regulation and enforcement provides a responsible marketplace that encourages the financing of legitimate business and industry in the state. Seeks to increase small business access to capital while assuring that investor protection is not compromised.
- Regulates proxy solicitations for certain ANCSA corporations, affecting thousands of Alaska natives who are shareholders of corporations with billions of dollars of assets. The Alaska Securities Act provides for the filing of proxy statements and remedial action authority for violations of the act and regulations.

The Corporations Section: provides legal recognition to a business by serving as a filing agency, assisting the private sector in processing documents in compliance with state law. The section also fulfills requests for information and provides copies of documents on file. The section examines and files organization documents of corporations (domestic and foreign; non-profit and for profit), Limited Liability Companies, Limited Liability Partnerships, Partnerships, Cooperatives, and Professional Corporations along with registration of Trademarks and Trade Names.

### **Component Goals and Strategies**

Develop and maintain a stable and responsible state-chartered financial institution system to serve all of Alaska's communities, especially where they draw their deposits and support.

- Monitor and where possible recommend ways to improve the strength and responsiveness of state-chartered financial institutions, and increase banking services.

Efficiently serve the Alaska business and finance community and provide effective public protection against financial loss due to fraudulent and other illegal activities in the securities business.

- Seek to improve investor protection by examining the sales practices of broker-dealers and investment advisers, investigating complaints and taking appropriate formal and informal action.
- Encourage capital formation by providing information regarding issuing securities in Alaska.

Create and maintain a friendly, helpful service for the general public business organizations of all types and origins that want to organize and do business in Alaska.

- Reduce the bureaucratic barrier with increased assistance in filling out forms for those who wish to establish businesses or qualify to do business in Alaska.
- Increase the public's accessibility to file and receive corporate documents by accepting faxed documents and credit cards, publishing forms on Internet, and imaging public documents for all three sections of the division.
- Improve efficiency in processing filed paperwork by installing automated equipment, such as E-Commerce.

### **Key Component Issues for FY2001 – 2002**

Additional data processing resources are needed to allow the division to handle increased workloads with increased productivity rather than a commensurate increase in staff. These resources are also necessary to enable the division to provide adequate services to the public through use of the Internet and electronic filing. Considerable work is needed to update and create improved databases for all three sections in the division to improve productivity and public service.

Due to increased filings in the corporation section, processing backlogs have grown longer which has a negative impact on the entities that are required to file in order to do business in Alaska. These delays impose a real cost on the private sector. Additional resources are needed in the corporations section to stem the growth of these backlogs and improve public service.

The division's activities generate revenues equal to more than 6 times the division's appropriation. It is imperative that the division receives increased resources in the coming years to be able to meet its mission of public service. Years of "hold-the-line" levels of appropriation have resulted in an inability to complete adequate examination of securities firms, to provide sufficient training for professional staff, and to pay for basic non-discretionary contractual items.

### **Major Component Accomplishments for FY2000**

**Banking:** Continued development of a financial institution database in Oracle. This database will increase efficiencies within the section, and will provide more up-to-date information to the public via the Internet.

**Securities:** Received 40 securities and 18 ANCSA corporation proxy complaints; issued 9 enforcement orders imposing \$103,250 in fines, of which \$18,275 was collected and \$50,000 was reduced to judgment; and was instrumental in having \$179,000 returned directly to Alaska investors.

**Corporations:** Made Biennial Reports easier to file by putting the form on the Internet for retrieval. We receive about 14,000 of these filings each year. The next step needed is to make it possible for filers to "submit" the Biennial Reports and fees via the Internet. In the mean time the section has made all other forms available as on-line, fill-in documents via the Internet.



In general: The division relocated the Juneau office from the 9th floor State Office Building to the Community Building located at 150 3rd Street. The move was accomplished with a minimum of downtime and disruption to Alaskans and to those seeking our services.

The division's revenue in FY2000 was \$11,934.3, up 23% from FY1999 and 404% from FY1982. In FY2000, the division was authorized 26 positions compared to 25 positions in FY1982.

### **Statutory and Regulatory Authority**

AS 06 - Supervision of Banking and other Financial Institutions

06.01 Administration

06.05 Alaska Banking Code

06.10 Model Foreign Bank Loan Act

06.10 Mutual Savings Bank Act

06.20 Alaska Small Loans Act

06.25 Trust Companies

06.35 Uniform Common Trust Fund Act

06.40 Premium Financing Act

06.45 Alaska Credit Union Act

AS 10-File Administration Of Corps Associations, LLC's

AS 10.13-BIDCO's

AS 10.35 & 45.50 -Trademarks/Tradenames

AS 32.05-Filing of Limited Liability Partnerships

AS 32.11-Filing of Limited Partnerships

AS 34.55-Land Sales Act

AS 44.81-Examination of CFAB

AS 45.55-Supervision of Filing of Securities

AS 45.55/3 AAC 08.305-365-Proxy Solicitations of Native Corporations

AS 45.57-Public Disclosure Takeovers

### **Key Performance Measures for FY2002**

**Measure: Have no Securities or ANCSA related administrative orders overturned at hearing or in court if challenged.**

*(Not yet addressed by Legislature.)*

**Current Status:**

The number of complaints resolved without formal action (formal orders): FY99....59; FY00....24; FY01....7 (as of 10/27/00)

The number of complaints resolved through formal orders: FY99....7; FY00....9; FY01....9 (as of 10/27/00)

The number of formal orders challenged: FY99....2; FY00....3; FY01....0 (as of 10/27/00)

The number of formal orders challenged successfully: FY99....0; FY00....0; FY01....0 (as of 10/27/00)

**Benchmark:**

Generally, the benchmark is to have no orders overturned. However, some orders may be more aggressive than others in dealing with Securities Act violations, and it is possible that some may be overturned.

**Background and Strategies:**

When the division investigates a complaint, if appropriate it attempts to resolve the complaint quickly and without formal action (issuing an order). Any time the division issues an order, the law provides the respondent an opportunity to request a hearing and, ultimately, a judicial review. The division cannot control whether a respondent requests a hearing, but the division vigorously defends its position in a hearing or in a court review.

The strategy: to thoroughly document a complaint and keep formal actions well grounded in the law and regulations in order to reduce their vulnerability to being overturned on any technical grounds.

**Measure: The number of members of the public who use forms provided by the division over the Internet for filing complaints and requests for exemptions.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

In FY99, the division provided no Internet-based forms, so there was no use of this medium by Alaskans.

In FY00, about 80% of complaints and exemption filings have utilized the web-based forms provided by the division.

In FY01, about 90% of complaints and exemption filings have utilized the web-based forms provided by the division. The vast majority of filers using these forms are completing them on-line and then mailing them in. The section is working towards providing a "submit" feature on these forms for complete on-line processing.

**Benchmark:**

Not applicable. There are no known benchmarks for this activity.

**Background and Strategies:**

The division developed Internet-based forms to standardize filings and make it easier for Alaskans who want to file a complaint or an application for exemption from registration.

The strategy: to provide as much information and forms via the Internet as possible in order to improve the ease and accessibility for the public, and to make their availability known through Internet advertising, public meetings, and personal contacts.

**Measure: The number of uncollected fines that have not been converted to court judgment.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

- FY99 of 8 fines levied, 4 fines were collected, leaving 4 needing action.
- FY00 through FY01, as of 10/27/00, there were 4 fines reduced to judgment, 1 partially collected, and one abandoned, leaving 2 needing action.

**Benchmark:**

The goal is to reach a point where all fines are either collected or converted to court judgment.

**Background and Strategies:**

Sometimes respondents refuse to pay fines. In order to improve the division's ability to take collection actions against them through the courts of any state, the division may petition to have an administrative fine converted to a court judgment (called "reducing an administrative fine to judgment"). The U.S. Constitution provides that a court judgment from one state is given full faith and credit in all states, so the fines should then be collectible wherever the violators and their property are found. This authority was obtained through amendments to the Alaska Securities Act, effective October 1, 1999.

With the change in the law, the division will file the appropriate applications to Superior Court to convert these fines to judgment. This is a new process, and the first such application was filed in December 1999. Once that is achieved, the division will attempt to enforce the court's judgment and collect the fine. Once the procedures are developed, it will become the division's routine to take these actions.

**Measure: The time taken to respond to and resolve complaints.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

Complaint response time

- FY99....7 days
- FY00....5 days
- FY01....5 days, as of 10/27/00

Complaint resolution time:

- FY99....116 days
- FY00....75 days
- FY01....80 days, as of 10/27/00

**Benchmark:**

Not applicable. There are no benchmarks for this measure. The time it takes to resolve complaints is affected by the complexity of the case.

**Background and Strategies:**

Assisting Alaskans with their investment problems by responding to their complaints, and taking actions to resolve those complaints is a critical part of the division's efforts to protect investors. Timeliness is an important aspect of that process.

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|---|-----------------|-----------------|-------------------------|------------------------------|---------------------------|
| <ul style="list-style-type: none"> <li>• Maintain investor protection by reducing the time of response to and resolution of complaints by 10% within 2 years.</li> </ul>  |                 |                 |                         |                              | X                         |
| <ul style="list-style-type: none"> <li>• Have no Securities or ANCSA related administrative orders overturned at hearing or in court if challenged.</li> </ul>  |                 | X               |                         |                              |                           |
| <ul style="list-style-type: none"> <li>• Improve service to the public and standardize filings through public use of Internet-provided division forms to file complaints and exemption filings at least 50% of the time by July 1, 2000.</li> </ul> |                 |                 |                         |                              | X                         |
| <ul style="list-style-type: none"> <li>• By June 30, 2001, reduce to zero the number of uncollected fines that have not been converted to court judgment.</li> </ul>  |                 |                 |                         |                              | X                         |
| <ul style="list-style-type: none"> <li>• The number of members of the public who use forms provided by the division over the Internet for filing complaints and requests for exemptions.</li> </ul>   |                 | X               |                         |                              |                           |
| <ul style="list-style-type: none"> <li>• The number of uncollected fines that have not been converted to court judgments.</li> </ul>  |                 | X               |                         |                              |                           |
| <ul style="list-style-type: none"> <li>• The time taken to respond to and resolve complaints.</li> </ul>  |                 | X               |                         |                              |                           |

## Banking, Securities and Corporations

## Component Financial Summary

All dollars in thousands

|                                    | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|------------------------------------|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>        |                |                   |                 |
| <b>Component Expenditures:</b>     |                |                   |                 |
| 71000 Personal Services            | 1,381.8        | 1,545.0           | 1,588.8         |
| 72000 Travel                       | 52.9           | 76.3              | 76.3            |
| 73000 Contractual                  | 212.4          | 170.8             | 212.3           |
| 74000 Supplies                     | 26.9           | 18.9              | 19.9            |
| 75000 Equipment                    | 44.2           | 2.1               | 6.1             |
| 76000 Land/Buildings               | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims               | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>          | <b>1,718.2</b> | <b>1,813.1</b>    | <b>1,903.4</b>  |
| <b>Funding Sources:</b>            |                |                   |                 |
| 1005 General Fund/Program Receipts | 1,717.1        | 0.0               | 0.0             |
| 1007 Inter-Agency Receipts         | 1.1            | 1.7               | 1.7             |
| 1053 Investment Loss Trust Fund    | 0.0            | 39.8              | 0.0             |
| 1156 Receipt Supported Services    | 0.0            | 1,771.6           | 1,901.7         |
| <b>Funding Totals</b>              | <b>1,718.2</b> | <b>1,813.1</b>    | <b>1,903.4</b>  |

## Estimated Revenue Collections

| Description                     | Master Revenue Account | FY2000 Actuals  | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|---------------------------------|------------------------|-----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>    |                        |                 |                   |                      |                 |                 |
| General Fund Program Receipts   | 51060                  | 9,177.3         | 0.0               | 0.0                  | 0.0             | 0.0             |
| Unrestricted Fund               | 68515                  | 0.0             | 8,818.1           | 10,300.2             | 10,388.8        | 10,564.7        |
| <b>Unrestricted Total</b>       |                        | <b>9,177.3</b>  | <b>8,818.1</b>    | <b>10,300.2</b>      | <b>10,388.8</b> | <b>10,564.7</b> |
| <b>Restricted Revenues</b>      |                        |                 |                   |                      |                 |                 |
| Interagency Receipts            | 51015                  | 1.1             | 1.7               | 1.7                  | 1.7             | 1.7             |
| General Fund Program Receipts   | 51060                  | 1,717.1         | 0.0               | 0.0                  | 0.0             | 0.0             |
| Receipt Supported Services      | 51073                  | 0.0             | 1,771.6           | 1,771.6              | 1,901.7         | 1,901.7         |
| Investment Loss Trust Fund      | 51393                  | 0.0             | 39.8              | 39.8                 | 0.0             | 0.0             |
| <b>Restricted Total</b>         |                        | <b>1,718.2</b>  | <b>1,813.1</b>    | <b>1,813.1</b>       | <b>1,903.4</b>  | <b>1,903.4</b>  |
| <b>Total Estimated Revenues</b> |                        | <b>10,895.5</b> | <b>10,631.2</b>   | <b>12,113.3</b>      | <b>12,292.2</b> | <b>12,468.1</b> |

**Banking, Securities and Corporations****Proposed Changes in Levels of Service for FY2002**

Two new fee supported positions are requested. The first is a new Administrative Clerk II. The position is needed in Anchorage to support the Business Registration Examiner to reduce the large backlog of corporation filings, many of which originate in Anchorage.

The second position is a new Analyst Programmer. This position will develop and maintain the new Securities Database requested in the Capital Budget. In addition, the position will work with current Data Processing staff to move the division to on-line filing and processing. The positions are to be funded with fees through receipt supported services.

Increments for the Divisions of Insurance, Occupational Licensing, and Banking, Securities, & Corporations are requested to cover rent expenses in FY02. An increment for the DCED State Facilities Rent Component is requested to receive the rent payments, in the form of interagency receipts. General funds, in the amount of FY01 rental rates paid by the 3 divisions, are transferred to the Department of Administration.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>  | <b>39.8</b>          | <b>0.0</b>           | <b>1,773.3</b>     | <b>1,813.1</b>     |
| <b>Adjustments which get you to start of year:</b>                |                      |                      |                    |                    |
| -Update Executive Administration and Support Cost Allocation Plan | 0.0                  | 0.0                  | -47.6              | -47.6              |
| <b>Adjustments which will continue current level of service:</b>  |                      |                      |                    |                    |
| -Convert Special FY2001 Labor Cost Fund Sources to Rcpt Svcs      | -39.8                | 0.0                  | 39.8               | 0.0                |
| -Year 2 Labor Costs - Net Change from Fy 2001                     | 0.0                  | 0.0                  | 11.7               | 11.7               |
| <b>Proposed budget increases:</b>                                 |                      |                      |                    |                    |
| -New Positions and Related Expenses                               | 0.0                  | 0.0                  | 101.5              | 101.5              |
| -State Facilities Rent  | 0.0                  | 0.0                  | 24.7               | 24.7               |
| <b>FY2002 Governor</b>  | <b>0.0</b>           | <b>0.0</b>           | <b>1,903.4</b>     | <b>1,903.4</b>     |

**Banking, Securities and Corporations****Personal Services Information**

| Authorized Positions |                              |                            | Personal Services Costs          |                  |
|----------------------|------------------------------|----------------------------|----------------------------------|------------------|
|                      | <b>FY2001<br/>Authorized</b> | <b>FY2002<br/>Governor</b> |                                  |                  |
| Full-time            | 26                           | 27                         | Annual Salaries                  | 1,217,759        |
| Part-time            | 0                            | 0                          | COLA                             | 18,223           |
| Nonpermanent         | 0                            | 0                          | Premium Pay                      | 8,378            |
|                      |                              |                            | Annual Benefits                  | 421,978          |
|                      |                              |                            | <i>Less 4.65% Vacancy Factor</i> | <i>(77,538)</i>  |
|                      |                              |                            | Lump Sum Premium Pay             | 0                |
| <b>Totals</b>        | <b>26</b>                    | <b>27</b>                  | <b>Total Personal Services</b>   | <b>1,588,800</b> |

**Position Classification Summary**

| <b>Job Class Title</b>    | <b>Anchorage</b> | <b>Fairbanks</b> | <b>Juneau</b> | <b>Others</b> | <b>Total</b> |
|---------------------------|------------------|------------------|---------------|---------------|--------------|
| Administrative Clerk II   | 1                | 0                | 5             | 0             | 6            |
| Administrative Clerk III  | 0                | 0                | 2             | 0             | 2            |
| Administrative Manager II | 0                | 0                | 1             | 0             | 1            |
| Analyst/Programmer III    | 0                | 0                | 2             | 0             | 2            |
| Business Reg Examiner     | 1                | 0                | 3             | 0             | 4            |
| Division Director         | 0                | 0                | 1             | 0             | 1            |
| Financial Instit Exam II  | 1                | 0                | 1             | 0             | 2            |
| Financial Instit Exam III | 2                | 0                | 0             | 0             | 2            |
| Financial Instit Exam IV  | 0                | 0                | 1             | 0             | 1            |
| Records & Licensing Spvr  | 0                | 0                | 1             | 0             | 1            |
| Secretary                 | 0                | 0                | 1             | 0             | 1            |
| Securities Examiner I     | 0                | 0                | 3             | 0             | 3            |
| Securities Examiner II    | 0                | 0                | 1             | 0             | 1            |
| <b>Totals</b>             | <b>5</b>         | <b>0</b>         | <b>22</b>     | <b>0</b>      | <b>27</b>    |

## **BRU/Component: Insurance Operations**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

**Contact: Robert A. Lohr, Director**

**Tel:** (907) 269-7900 **Fax:** (907) 269-7910 **E-mail:** Bob\_Lohr@dced.state.ak.us

### **Component Mission**

The mission of the Division of Insurance is to protect and serve the state by regulating all aspects of insurance in Alaska.

### **Component Services Provided**

Consumer Service Section - Investigates consumer complaints, gathers and evaluates data, researches insurance laws and renders impartial determinations of compliance with insurance statutes and regulations. Responds to consumer inquiries received by phone calls and e-mails regarding insurance in general and explaining specific policy provisions. Provides information and consumer education presentations on insurance issues through community outreach programs

Licensing Section - reviews all documents received with regard to the license process to ensure that a person is competent, trustworthy, and qualified to obtain, renew, or amend a license. The section is in daily contact with applicants, licensees, and the general public conveying information relative to producer licensing. Determination of possible violations are referred with recommendations to the director. The section is continuously reviewing the statutes and regulations, recommending amendments to the director when necessary.

Assists and provides information to licensees for obtaining statutory required licenses, issue licenses, and maintain licensee records while identifying statutory or regulatory needs with emphasis on public protection. Responsible for reviewing the qualifications and trustworthiness of people seeking to market insurance products in Alaska. Oversees and administers required Continuing Education for producers.

Investigation Section - Investigates violations of Title 21, referring the civil/administrative cases to the Assistant Attorney General's Office and the criminal cases to the District Attorney's Office. Criminal cases are referred to the Office of Special Prosecutions and Appeals, the U.S. District Attorney's Office or the Federal Bureau of Investigation. Researches and prepares documentation for administrative hearings at which the Assistant Attorney General and paralegal assistant represent the division. Performs background investigations on prospective licensees and renewing licensees.

Market Examination Section - Performs market conduct examinations and investigations on insurance companies or producer licensees to ensure: insurance quality and compliance with Alaska's insurance law, and that the Alaskan consumer is treated fairly in the insurance marketplace.

Financial Examination Section - Reviews solvency of insurers doing business in this state. Admits new companies wishing to do business in Alaska. Restricts companies that are a hazard to Alaska consumers due to financial standing or noncompliance with Alaska law. Maintains current information on insurers and related entities eligible to operate in Alaska. Maintains surplus lines white list (approved list) for the benefit of Alaska consumers. Examines domestic insurance company's financial records in order to verify that the company is complying with Alaska financial statutes and that the annual financial statement information is reasonably accurate. Performs premium trust examination of producer licensees to verify trust accounts and compliance with Alaska law. Compiles information from all division sections for the division's Annual Report. Collects premium taxes and fees from insurance companies and other entities subject to tax or fees.

Filing Review Section - Reviews the rates and policy forms used by insurers in providing insurance coverage for Alaskans. Prepares consumer education materials such as the Automobile and Homeowners Rating Examples booklets, the Medicare Supplement Insurance Rate Guide, and the Workers' Compensation Rating Guide.

Actuaries - Participate in the solvency review of domestic insurers, drafting insurance laws and regulations, and collecting and analyzing data to aid in developing more effective regulation of insurance in Alaska. Administer and manage the Filings Review Section.

### **Component Goals and Strategies**

- To protect and educate the consumer and enhance the insurance business environment by:
- Responding to all inquires and request for information from consumers and assisting them in resolving insurance claims and other related policy matters;
- Increasing consumer awareness and knowledge about insurance through outreach programs by developing publications, consumer education and community outreach programs;
- Investigating fraudulent insurance activities and taking appropriate administrative action or referring for criminal prosecution;
- Examining practices of insurance companies and persons selling insurance to assure their compliance with Alaska law;
- Monitoring insurance company financial statements, ratios and other reports to ensure their abilities to pay claims and examining Alaskan insurers to assure their solvency and compliance with Alaska laws;
- Expanding the Alaskan insurance market by authorizing qualified companies to provide insurance products;
- Reviewing insurance policy contracts offered in Alaska to assure they are not ambiguous or misleading and are in compliance with insurance laws;
- Reviewing rates charged for property and casualty coverage and certain types of health and credit coverage to assure they are not inadequate, excessive or unfairly discriminatory;
- Assuring that persons selling insurance are trustworthy and knowledgeable about the products they sell;
- Monitoring developing trends through the country to prevent adverse results to Alaskans.

### **Key Component Issues for FY2001 – 2002**

In November 1999 President Clinton signed into law the Gramm-Leach-Bliley Act (GLBA) that repealed restrictions in the Glass-Steagall Act and the Bank Holding Company Act of 1956 on affiliations between banks, insurance companies and securities firms. This law challenges the Division to review how we perform our mission of protecting the Alaska insurance consumer. GLBA changes the landscape of regulation for the financial services industry in the United States. GLBA supports functional regulation of the various financial service sectors, and states maintain their authority to regulate insurance. However, greater cooperation and communication with federal regulators and among state insurance departments is crucial to maintaining the quality of regulation that the Division provides. Essential Legislative initiatives for 2001 based on NAIC model laws include:

Producer Licensing Model Act: GLBA provides that if 29 states do not adopt reciprocity in agent and broker licensing by November 2002, states will lose authority to license non-residents.

Insurance Company Investment Policy: The current investment statutes under AS 21.21 were adopted in 1966 with only minor changes in the past 34 years. Since that time, the types of investments and investment markets have changed. Many new products are available that are not addressed in our statute.

Confidentiality of Documents: Authority for the director to keep certain information confidential is needed so the division can obtain documents or information from other states, federal and international regulatory agencies, law-



enforcement agencies and the NAIC. The director must be able to hold confidential information submitted by insurers and licensees determined to be legally privileged and nonpublic personal health and/or financial information provided to the division in the course of conducting business.

Privacy of Insurance Consumer Personal Information: Under GLBA states are directed to adopt and enforce privacy standards relating to defined nonpublic personal health or financial information. Specific legislative authority to adopt the NAIC model privacy regulations is desirable.

Alaska is now only minimally able to utilize national data base regulatory information systems. We need to continue to make progress to gain optimal access to these important regulatory tools including all NAIC data base systems.

### **Major Component Accomplishments for FY2000**

- Opened and investigated 502 consumer complaints and closed 482. In addition handled over 1,200 inquires.
- Took action that resulted in additional payments of \$418,440 to consumers.
- Assisted consumers during the Cordova avalanche disaster by sending a Consumer Service Specialist to assist consumers with insurance issues.
- Opened 51 civil/criminal investigations, closed 44 with 3 investigations leading to criminal convictions.
- Completed examination of insurance practices of four persons selling insurance.
- Audited 1200 company tax filings and collected \$29,447,186 in premium taxes and fees.
- Authorized 17 new insurance companies to operate in Alaska, suspended 15 and revoked one certificate of authority due to hazardous financial condition.
- Completed financial examinations of two Alaskan companies to determine solvency and compliance with Alaska laws. In addition performed administrative work for liquidation of one Alaska insurance company.
- Received and reviewed 6,280 insurance contracts and premium rate filings. Over 600 filings were disapproved by the division or withdrawn by the company because they did not comply with Alaska laws.
- Updated and published premium rate guides for automobile, homeowners, Medicare supplement and workers compensation insurance.
- Implemented a new continuing education audit program for persons selling insurance in Alaska and performed 76 audits.
- Issued and renewed over 5,600 licenses to persons selling insurance in Alaska and processed over 5,000 company appointments and responded to over 13,000 inquires.
- Issued eleven disciplinary, six regulatory orders and one license denial and collected over \$14,000 in fines.

### **Statutory and Regulatory Authority**

Alaska Statute Title 21  
Alaska Administrative Code 3 AAC 21 to 31

## Key Performance Measures for FY2002

### Measure: The average time taken to respond to consumer complaints

*(Added by Legislature in FY2001 version.)*

#### Current Status:

Baseline data is being collected in FY 2001.

#### Benchmark:

We looked at other states similar in size with the same volume of work and found that our number of days for resolutions fell in between theirs, which was 37 to 42 days.

#### Background and Strategies:

FY 2001-85% of formal complaints will have communications sent to the consumer and to the company for their response, or the complaint will be resolved within 40 days. 10% of formal complaints could extend beyond 40 days because of potential violation actions; file review by the Attorney General's office; involvement with other DOI sections; multiple issues or complexity of materials in files being investigated. 5% of formal complaints could extend beyond 40 days due to issues pending additional information from complainant or company; delays due to staff shortages and absences; periods of high complaint volume; or delays due to specialists meeting high priority special assignment deadlines.

### Measure: The average number of days required to process applications and issue licenses and renewals.

*(Added by Legislature in FY2001 version.)*

#### Current Status:

FY99 to FY00 the current average processing time was 10-15 working days.

#### Benchmark:

In Wyoming a state with a similar population our processing time is in-line with theirs which is ten days, even though we have dissimilar laws and regulations.

#### Background and Strategies:

The high number of incomplete applications received complicates measuring the average number of days required to process applications. Currently approximately 75% of all applications submitted are incomplete. To remedy this problem the division is moving to an electronic application process that will substantially reduce if not eliminate the ability to submit an incomplete application. The electronic application will not allow an applicant to submit an application unless all required information is contained in the application.

In FY 2001, a complete application will be processed and a license issued within 5 days of receipt of the application.

For applications that are not complete they are sent notification that the license cannot be processed without additional information. When the necessary information is received a license is issued within 5 days.

### Measure: The number of insurance-related civil and criminal investigations completed.

*(Added by Legislature in FY2001 version.)*

#### Current Status:

In FY 2000 the division opened 60 cases, closed 37 and 3 of the cases lead to criminal convictions. We investigate every case that is opened.

#### Benchmark:

Our baseline is to close over 60% of the cases that we open during the year and to present those cases deemed for litigation to the DA's office for prosecution. This compares to the state of Wyoming, which opened 80 cases, closed 49 with 4 cases referred for regulatory action

**Background and Strategies:**

Insurance fraud is widespread through all 50 states. It includes private citizens filing fraudulent claims to insurance companies and insurance agents or companies violating a statute or regulation included in the State of Alaska insurance laws. Prevention of fraud can be reduced through providing more educational materials and having investigators conduct education seminars and speak at professional meetings.

**Status of FY2001 Performance Measures**

|   | <i>Achieved</i> | <i>On track</i> | <i>Too soon<br/>to tell</i> | <i>Not likely<br/>to achieve</i> | <i>Needs<br/>modification</i> |
|---|-----------------|-----------------|-----------------------------|----------------------------------|-------------------------------|
| <ul style="list-style-type: none"> <li>The average time taken to respond to consumer complaints.</li> <li>The average number of days required to process applications and issue licenses and renewals.</li> <li>The number of insurance-related civil and criminal investigations completed.</li> </ul> |                 | X               |                             |                                  |                               |

## Insurance Operations

### Component Financial Summary

*All dollars in thousands*

|                                    | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|------------------------------------|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>        |                |                   |                 |
| <b>Component Expenditures:</b>     |                |                   |                 |
| 71000 Personal Services            | 2,621.8        | 2,925.1           | 3,103.6         |
| 72000 Travel                       | 121.2          | 187.5             | 187.5           |
| 73000 Contractual                  | 936.9          | 1,235.4           | 1,224.9         |
| 74000 Supplies                     | 71.2           | 59.2              | 59.2            |
| 75000 Equipment                    | 172.1          | 35.3              | 35.3            |
| 76000 Land/Buildings               | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims               | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>          | <b>3,923.2</b> | <b>4,442.5</b>    | <b>4,610.5</b>  |
| <b>Funding Sources:</b>            |                |                   |                 |
| 1005 General Fund/Program Receipts | 3,923.2        | 0.0               | 0.0             |
| 1053 Investment Loss Trust Fund    | 0.0            | 77.4              | 0.0             |
| 1156 Receipt Supported Services    | 0.0            | 4,365.1           | 4,610.5         |
| <b>Funding Totals</b>              | <b>3,923.2</b> | <b>4,442.5</b>    | <b>4,610.5</b>  |

### Estimated Revenue Collections

| Description                     | Master Revenue Account | FY2000 Actuals  | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|---------------------------------|------------------------|-----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>    |                        |                 |                   |                      |                 |                 |
| Unrestricted Fund               | 68515                  | 29,519.2        | 28,352.0          | 29,410.8             | 29,424.0        | 29,424.0        |
| <b>Unrestricted Total</b>       |                        | <b>29,519.2</b> | <b>28,352.0</b>   | <b>29,410.8</b>      | <b>29,424.0</b> | <b>29,424.0</b> |
| <b>Restricted Revenues</b>      |                        |                 |                   |                      |                 |                 |
| General Fund Program Receipts   | 51060                  | 3,923.2         | 0.0               | 0.0                  | 0.0             | 0.0             |
| Receipt Supported Services      | 51073                  | 0.0             | 4,365.1           | 4,365.1              | 4,610.5         | 4,610.5         |
| Investment Loss Trust Fund      | 51393                  | 0.0             | 77.4              | 77.4                 | 0.0             | 0.0             |
| <b>Restricted Total</b>         |                        | <b>3,923.2</b>  | <b>4,442.5</b>    | <b>4,442.5</b>       | <b>4,610.5</b>  | <b>4,610.5</b>  |
| <b>Total Estimated Revenues</b> |                        | <b>33,442.4</b> | <b>32,794.5</b>   | <b>33,853.3</b>      | <b>34,034.5</b> | <b>34,034.5</b> |

## Insurance Operations

### Proposed Changes in Levels of Service for FY2002

Consumer services will establish an electronic complaint process to decrease response time for staff to handle to complaints. Make improvements to the database interface for ease of use/functionality.

Licensing section will implement an electronic process for company appointments and terminations and begin implementation of an electronic licensing process.

Filing section will allow companies to file contract and premium rate filings electronically.

Increments for the Divisions of Insurance, Occupational Licensing, and Banking, Securities, & Corporations are requested to cover rent expenses in FY02. An increment for the DCED State Facilities Rent Component is requested to receive the rent payments, in the form of interagency receipts. General funds, in the amount of FY01 rental rates paid by the 3 divisions, are transferred to the Department of Administration.

### Summary of Component Budget Changes

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>  | <b>77.4</b>          | <b>0.0</b>           | <b>4,365.1</b>     | <b>4,442.5</b>     |
| <b>Adjustments which get you to start of year:</b>                |                      |                      |                    |                    |
| -Update Executive Administration and Support Cost Allocation Plan | 0.0                  | 0.0                  | 71.6               | 71.6               |
| <b>Adjustments which will continue current level of service:</b>  |                      |                      |                    |                    |
| -Convert Special FY2001 Labor Cost Fund Sources to Rcpt Svcs      | -77.4                | 0.0                  | 77.4               | 0.0                |
| -Year 2 Labor Costs - Net Change from Fy 2001                     | 0.0                  | 0.0                  | 24.3               | 24.3               |
| <b>Proposed budget increases:</b>                                 |                      |                      |                    |                    |
| -State Facilities Rent  | 0.0                  | 0.0                  | 72.1               | 72.1               |
| <b>FY2002 Governor</b>  | <b>0.0</b>           | <b>0.0</b>           | <b>4,610.5</b>     | <b>4,610.5</b>     |

## Insurance Operations

## Personal Services Information

| Authorized Positions |                      |                    | Personal Services Costs          |                  |
|----------------------|----------------------|--------------------|----------------------------------|------------------|
|                      | FY2001<br>Authorized | FY2002<br>Governor |                                  |                  |
| Full-time            | 53                   | 55                 | Annual Salaries                  | 2,450,595        |
| Part-time            | 0                    | 0                  | COLA                             | 36,554           |
| Nonpermanent         | 0                    | 0                  | Premium Pay                      | 0                |
|                      |                      |                    | Annual Benefits                  | 850,023          |
|                      |                      |                    | <i>Less 7.00% Vacancy Factor</i> | <i>(233,572)</i> |
|                      |                      |                    | Lump Sum Premium Pay             | 0                |
| <b>Totals</b>        | <b>53</b>            | <b>55</b>          | <b>Total Personal Services</b>   | <b>3,103,600</b> |

## Position Classification Summary

| Job Class Title            | Anchorage | Fairbanks | Juneau    | Others   | Total     |
|----------------------------|-----------|-----------|-----------|----------|-----------|
| Accounting Clerk II        | 0         | 0         | 1         | 0        | 1         |
| Actuary                    | 0         | 0         | 1         | 0        | 1         |
| Administrative Clerk I     | 0         | 0         | 1         | 0        | 1         |
| Administrative Clerk II    | 3         | 0         | 2         | 0        | 5         |
| Administrative Clerk III   | 1         | 0         | 3         | 0        | 4         |
| Administrative Manager III | 0         | 0         | 1         | 0        | 1         |
| Analyst/Programmer II      | 1         | 0         | 1         | 0        | 2         |
| Analyst/Programmer IV      | 0         | 0         | 2         | 0        | 2         |
| Assistant Actuary          | 0         | 0         | 1         | 0        | 1         |
| Business Reg Examiner      | 0         | 0         | 6         | 0        | 6         |
| Consmr Compl't Spec/Ins    | 3         | 0         | 1         | 0        | 4         |
| Dep Dir Insurance          | 0         | 0         | 1         | 0        | 1         |
| Division Director          | 1         | 0         | 0         | 0        | 1         |
| Ins Analyst III, Rates     | 0         | 0         | 1         | 0        | 1         |
| Ins Financial Exam I       | 1         | 0         | 1         | 0        | 2         |
| Ins Financial Exam II      | 3         | 0         | 0         | 0        | 3         |
| Ins Financial Exam III     | 1         | 0         | 0         | 0        | 1         |
| Insurance Analyst I        | 0         | 0         | 1         | 0        | 1         |
| Insurance Analyst II       | 1         | 0         | 3         | 0        | 4         |
| Insurance Analyst III      | 2         | 0         | 2         | 0        | 4         |
| Insurance Analyst IV       | 1         | 0         | 1         | 0        | 2         |
| Investigator II            | 2         | 0         | 0         | 0        | 2         |
| Investigator III           | 1         | 0         | 0         | 0        | 1         |
| Investigator IV            | 1         | 0         | 0         | 0        | 1         |
| Paralegal Asst II          | 1         | 0         | 0         | 0        | 1         |
| Records & Licensing Spvr   | 0         | 0         | 1         | 0        | 1         |
| Revenue Auditor III        | 0         | 0         | 1         | 0        | 1         |
| <b>Totals</b>              | <b>23</b> | <b>0</b>  | <b>32</b> | <b>0</b> | <b>55</b> |

## **Occupational Licensing Budget Request Unit**

**Contact: Catherine Reardon, Director**

**Tel:** (907) 465-2538 **Fax:** (907) 465-2974 **E-mail:** Catherine\_Reardon@dced.state.ak.us

### **BRU Mission**

To ensure that competent professional and commercial services are available to Alaska consumers.

### **BRU Services Provided**

OCCUPATIONAL LICENSING: Administer the following 36 occupational licensing programs:

Licensing Boards assisted by the Division:

- Architects, Engineers and Land Surveyors
- Athletic Commission
- Barbers and Hairdressers
- Chiropractic Examiners
- Direct-Entry Midwives
- Dispensing Opticians
- Dental Examiners
- Marine Pilots
- Marital and Family Therapy
- Medical
- Nursing
- Optometry
- Pharmacy
- Physical and Occupational Therapy
- Professional Counselors
- Psychologist and Psychological Associate Examiners
- Public Accountancy
- Real Estate Appraisers
- Real Estate Commission
- Social Workers
- Veterinary Examiners

Licensing Programs administered directly by the Division:

- Acupuncture
- Audiologists and Speech-Language Pathologists
- Big Game Guides and Transporters
- Collection Agencies
- Concert Promoters
- Construction Contractors
- Dietitians
- Electrical and Mechanical Administrators
- Geologists
- Hearing Aid Dealers
- Morticians
- Naturopaths
- Nursing Home Administrators
- Nutritionists
- Underground Storage Tank Workers

Perform the following functions for over 130 occupations within the 36 programs listed above:

- Distribute application forms for initial licensure and renewal by mail and Internet
- Respond to questions from applicants, other states and non-governmental organizations regarding Alaska's licensing laws
- Review applications to determine if qualifications have been met
- Determine whether applicants are in arrears on child support or student loan repayment
- Verify Alaska licenses for the licensing agencies of other states
- Write and/or administer professional examinations
- Investigate complaints of incompetent or illegal activity by professionals
- Prepare formal accusations against licensees when investigations reveal evidence of violations of licensing laws.
- Present the legal case against licensees charged with violations
- Negotiate settlements with licensees whom the division believes violated the law
- Report disciplinary actions taken against Alaska licensees to national databanks
- Organize licensing board meetings
- Assist licensing boards in writing regulations
- Represent the state in appeals of license denials, lawsuits and appeals of disciplinary actions
- Provide public lists of licensees on CD-ROM, paper, and through Internet search of the computer databases

**BUSINESS LICENSING:** License approximately 74,000 businesses to engage in commerce in Alaska. At the start of FY2001, 1,711 businesses held tobacco endorsements attached to their licenses permitting retail sale of tobacco products.

To administer the Business Licensing Program, the division:

- Distributes application forms for initial licensure and renewal by mail and Internet
- Reviews applications for completeness and legal sufficiency
- Collects \$50 for each two-year license and \$25 for each endorsement permitting retail sale of tobacco products
- Classifies businesses according to their primary activities
- Issues licenses at service counters in Juneau, Fairbanks and Anchorage
- Issues and renews licenses via the Internet
- Researches the licensing history of Alaska businesses
- Works to bring unlicensed businesses into voluntary compliance with the law
- Suspends tobacco sales endorsements of businesses convicted of selling tobacco to minors
- Provides public lists of licensed businesses on CD-ROM, paper and through Internet search of the computer database

### **BRU Goals and Strategies**

- 1) Allow qualified individuals to work in their chosen fields: earning a living, creating new businesses and providing the skilled workforce necessary for state development
  - Make licensing information easy to obtain and understand
  - Issue licenses correctly and promptly
  - Remove unnecessary barriers to licensure
  - Keep license fees as low as possible while meeting the division's legal responsibilities
- 2) Protect public health and welfare by safeguarding the quality of services provided by Alaska's licensed professionals
  - Investigate allegations of violations of licensing laws thoroughly and promptly
  - Sanction licensees who violate the law in an appropriate manner
  - Provide licensing boards with resources necessary to regulate effectively

### **Key BRU Issues for FY2001 – 2002**

#### **PUBLIC RECORD REQUESTS:**

An Attorney General's opinion stating that division files related to investigations of occupational license holders may be public documents has resulted in lengthy reviews of voluminous investigative files. Witnesses' rights to privacy



and public rights to government records must be weighed for each document in a file. The division expects the number of public record requests to increase as employers and parties to lawsuits become aware that investigative information is available. The division is having difficulty responding to the public record workload and other division activities are adversely affected.

#### ENFORCEMENT OF TOBACCO SALES LAW

The division issues business license endorsements to businesses that sell retail tobacco products and the division suspends the endorsements of businesses convicted of sale to minors. The Department of Health and Social Services is dedicating substantial new resources to enforcement of tobacco sales laws. This effort will result in significantly more convictions. The division will respond by assigning investigators to prepare cases for suspension hearings and negotiate settlement agreements. We also anticipate an increased caseload for the hearing officer. In FY02, the division will implement any changes made to the tobacco endorsement statute during the legislative session.

#### ESCALATING ENFORCEMENT COSTS:

The cost of investigating and disciplining license-holders accused of violating licensing laws continues to rise, as the process becomes more formal and litigious. Costs include investigators, expert witnesses, attorneys from the Department of Law and hearing officers. Enforcement costs are paid through license fees. One extensive case can double fees for small programs and discourage disciplinary action against licensees.

#### VOLATILITY OF FEES:

AS08.01.065(c) mandates that the department set license fees for each occupation at a level, which approximately equals the cost of regulating the occupation. The enforcement costs mentioned above make fees very volatile. A 1997 legislative audit directed the division to set fees incorporating professions' surpluses and deficits from prior years. The audit also recommended strictly applying the fee law and requiring each of the division's 130 professions to pay their own costs rather than accounting at the board/program level. The result of a strict legal interpretation would be even greater variation in fees for small professions. Due to Alaska's small population, many professions have fewer than 100 members to share costs.

#### NEED FOR STRONG AND CONSISTENT LAWS:

Alaska's licensing laws have gray areas and inconsistencies that contribute to legal costs and difficulty protecting the public. A comprehensive update of the laws would assist enforcement.

### **Major BRU Accomplishments for FY2000**

#### BUSINESS LICENSING:

- Completed implementation of the new business classification system, improving the quality of information about the number and types of businesses in Alaska.
- Expanded business license information available through the Internet. The list of businesses can now be searched by activity type, location, name, license number, and tobacco endorsement.
- Prepared to offer business licensing through the Internet in the autumn of 2000. Licenses can now be purchased, renewed, updated and reprinted online.

#### OCCUPATIONAL LICENSING:

- Created a licensing program for Speech-Language Pathologists.
- Established the first regulations governing manicurist licensing.
- Began implementation of a new law licensing practitioners of Tattooing and Permanent Cosmetic Coloring, and Body Piercing.
- Issued the first licenses to professional counselors, and bachelor and master social workers.
- Began requiring marine pilots to complete a performance evaluation based on simulation of Alaska ports. This is the first simulator-based evaluation system for pilots in the nation. 25% of Alaska pilots have been evaluated to date.
- Increased information about licensed professionals available through the Internet.
- Rated best in the nation by Public Citizen for medical enforcement.

## Key Performance Measures for FY2002

### Measure: the time taken for investigation of licensing law complaints

*(Developed jointly with Legislature in FY2002.)*

#### Current Status:

In FY 2002 the division will work to reduce the amount of time between the opening of cases and the issuance of a formal accusation, a settlement document or the decision to close the case without action.

#### Benchmark:

Unknown

#### Background and Strategies:

The division opens from 450 to 550 investigation cases each year. Most of these cases are initiated by citizen complaints against licensed professionals, however, others are initiated by the division. Cases are closed when the division determines that no formal charge will be made against the license holder, when disciplinary action is taken, or when a hearing determines the licensee did not violate the law. Many factors affect the length of time a specific case remains open including, the priority the division gives to the case based on risk to public health and safety, the overall division case load, the complexity of the investigation, the availability of Department of Law legal services, the hearing officer's schedule, court action and the action of the licensee under investigation. In recent years, insufficient attorney service has been a major contributor to investigative delay. The FY01 budget authorized additional Department of Law services for the division. When vacant attorney positions are filled, the division anticipates a reduction in investigation time. Quick closure of cases cannot be an isolated goal, because investigative thoroughness is also essential to protect consumers.

### Measure: whether the division increases the number of opportunities to take occupational licensing examinations by at least 25 percent in the fiscal year ending June 30, 2001

*(Developed jointly with Legislature in FY2002.)*

#### Current Status:

The division will increase the frequency of division-controlled written exams from quarterly to monthly for all of FY02, thereby achieving the performance measure.

#### Benchmark:

The frequency of exams in other small-population states is unknown.

#### Background and Strategies:

Many professionals cannot qualify for licenses and begin working without first passing an exam. Exams must be conducted properly and securely to render accurate results. The quality of exam administration by private proctors has been uneven. Alaska's size makes travel to a central exam site expensive for license applicants. The division currently offers the above referenced written exams four times each year in Anchorage, Juneau and Fairbanks. The division will designate a clerk in Anchorage and Fairbanks who will administer exams one day each week and supervise additional private proctors. This will result in the Fairbanks office being closed to the general public on Fridays.

## Status of FY2001 Performance Measures

|   | Achieved | On track | Too soon to tell | Not likely to achieve | Needs modification |
|---|----------|----------|------------------|-----------------------|--------------------|
| <ul style="list-style-type: none"> <li>the time taken for investigation of licensing law complaints</li> <li>whether the division increases the number of opportunities to take occupational licensing examinations by at least 25 percent in the fiscal year ending June 30, 2001</li> </ul> |          | X        |                  |                       | X                  |

|  | <i>Achieved</i> | <i>On track</i> | <i>Too soon<br/>to tell</i> | <i>Not likely<br/>to achieve</i> | <i>Needs<br/>modification</i> |
|--|-----------------|-----------------|-----------------------------|----------------------------------|-------------------------------|
| <ul style="list-style-type: none"><li>whether the division converts the business license classification system to a new, more detailed classification system in the fiscal year ending June 30, 2001</li></ul> | X               |                 |                             |                                  |                               |

**Occupational Licensing**  
**BRU Financial Summary by Component**

*All dollars in thousands*

|                                      | FY2000 Actuals |               |              |                | FY2001 Authorized |               |                |                | FY2002 Governor |               |                |                |
|--------------------------------------|----------------|---------------|--------------|----------------|-------------------|---------------|----------------|----------------|-----------------|---------------|----------------|----------------|
|                                      | General Funds  | Federal Funds | Other Funds  | Total Funds    | General Funds     | Federal Funds | Other Funds    | Total Funds    | General Funds   | Federal Funds | Other Funds    | Total Funds    |
| <b>Formula Expenditures</b><br>None. |                |               |              |                |                   |               |                |                |                 |               |                |                |
| <b>Non-Formula Expenditures</b>      |                |               |              |                |                   |               |                |                |                 |               |                |                |
| Occupational Licensing               | 5,357.8        | 0.0           | 171.2        | 5,529.0        | 603.3             | 0.0           | 5,928.2        | 6,531.5        | 545.0           | 0.0           | 6,318.1        | 6,863.1        |
| Occupation Licensing Language        | 0.0            | 0.0           | 0.0          | 0.0            | 0.0               | 0.0           | 150.0          | 150.0          | 0.0             | 0.0           | 0.0            | 0.0            |
| <b>Totals</b>                        | <b>5,357.8</b> | <b>0.0</b>    | <b>171.2</b> | <b>5,529.0</b> | <b>603.3</b>      | <b>0.0</b>    | <b>6,078.2</b> | <b>6,681.5</b> | <b>545.0</b>    | <b>0.0</b>    | <b>6,318.1</b> | <b>6,863.1</b> |

## Occupational Licensing

## Proposed Changes in Levels of Service for FY2002

No service changes.

## Occupational Licensing

## Summary of BRU Budget Changes by Component

## From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>603.3</b>         | <b>0.0</b>           | <b>6,078.2</b>     | <b>6,681.5</b>     |
| <b>Adjustments which get you to start of year:</b>               |                      |                      |                    |                    |
| -Occupational Licensing  | 6.2                  | 0.0                  | 71.8               | 78.0               |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Occupational Licensing  | -64.5                | 0.0                  | 101.3              | 36.8               |
| -Occupation Licensing Language                                   | 0.0                  | 0.0                  | -150.0             | -150.0             |
| <b>Proposed budget increases:</b>                                |                      |                      |                    |                    |
| -Occupational Licensing  | 0.0                  | 0.0                  | 216.8              | 216.8              |
| <b>FY2002 Governor</b>   | <b>545.0</b>         | <b>0.0</b>           | <b>6,318.1</b>     | <b>6,863.1</b>     |

## **Component: Occupational Licensing**

**Contact: Catherine Reardon, Director**

**Tel:** (907) 465-2538 **Fax:** (907) 465-2974 **E-mail:** Catherine\_Reardon@dced.state.ak.us

## **Component Mission**

To ensure that competent professional and commercial services are available to Alaska consumers.

## **Component Services Provided**

OCCUPATIONAL LICENSING: Administer the following 36 occupational licensing programs:

Licensing Boards assisted by the Division:

- Architects, Engineers and Land Surveyors
- Athletic Commission
- Barbers and Hairdressers
- Chiropractic Examiners
- Direct-Entry Midwives
- Dispensing Opticians
- Dental Examiners
- Marine Pilots
- Marital and Family Therapy
- Medical
- Nursing
- Optometry
- Pharmacy
- Physical and Occupational Therapy
- Professional Counselors
- Psychologist and Psychological Associate Examiners
- Public Accountancy
- Real Estate Appraisers
- Real Estate Commission
- Social Workers
- Veterinary Examiners

Licensing Programs administered directly by the Division:

- Acupuncture
- Audiologists and Speech-Language Pathologists
- Big Game Guides and Transporters
- Collection Agencies
- Concert Promoters
- Construction Contractors
- Dietitians
- Electrical and Mechanical Administrators
- Geologists
- Hearing Aid Dealers
- Morticians
- Naturopaths
- Nursing Home Administrators
- Nutritionists
- Underground Storage Tank Workers

Perform the following functions for over 130 occupations within the 36 programs listed above:

- Distribute application forms for initial licensure and renewal by mail and Internet
- Respond to questions from applicants, other states and non-governmental organizations regarding Alaska's licensing laws
- Review applications to determine if qualifications have been met
- Determine whether applicants are in arrears on child support or student loan repayment
- Verify Alaska licenses for the licensing agencies of other states
- Write and/or administer professional examinations
- Investigate complaints of incompetent or illegal activity by professionals
- Prepare formal accusations against licensees when investigations reveal evidence of violations of licensing laws
- Present the legal case against licensees charged with violations
- Negotiate settlements with licensees whom the division believes violated the law
- Report disciplinary actions taken against Alaska licensees to national databanks
- Organize licensing board meetings
- Assist licensing boards in writing regulations
- Represent the state in appeals of license denials, lawsuits and appeals of disciplinary actions
- Provide public lists of licensees on CD-ROM, paper, and through Internet search of the computer databases

**BUSINESS LICENSING:** License approximately 74,000 businesses to engage in commerce in Alaska. At the start of FY2001, 1,711 businesses held tobacco endorsements attached to their licenses permitting retail sale of tobacco products.

To administer the Business Licensing Program, the division:

- Distributes application forms for initial licensure and renewal by mail and Internet
- Reviews applications for completeness and legal sufficiency
- Collects \$50 for each two-year license and \$25 for each endorsement permitting retail sale of tobacco products
- Classifies businesses according to their primary activities
- Issues licenses at service counters in Juneau, Fairbanks and Anchorage
- Issues and renews licenses via the Internet
- Researches the licensing history of Alaska businesses
- Works to bring unlicensed businesses into voluntary compliance with the law
- Suspends tobacco sales endorsements of businesses convicted of selling tobacco to minors
- Provides public lists of licensed businesses on CD-ROM, paper and through Internet search of the computer database

## **Component Goals and Strategies**

- 1) Allow qualified individuals to work in their chosen fields: earning a living, creating new businesses and providing the skilled workforce necessary for state development
  - Make licensing information easy to obtain and understand
  - Issue licenses correctly and promptly
  - Remove unnecessary barriers to licensure
  - Keep license fees as low as possible while meeting the division's legal responsibilities
- 2) Protect public health and welfare by safeguarding the quality of services provided by Alaska's licensed professionals
  - Investigate allegations of violations of licensing laws thoroughly and promptly
  - Sanction licensees who violate the law in an appropriate manner
  - Provide licensing boards with resources necessary to regulate effectively

## **Key Component Issues for FY2001 – 2002**

### **PUBLIC RECORD REQUESTS:**

An Attorney General's opinion stating that division files related to investigations of occupational license holders may be public documents has resulted in lengthy reviews of voluminous investigative files. Witnesses' rights to privacy

and public rights to government records must be weighed for each document in a file. The division expects the number of public record requests to increase as employers and parties to lawsuits become aware that investigative information is available. The division is having difficulty responding to the public record workload and other division activities are adversely affected.

#### **ENFORCEMENT OF TOBACCO SALES LAW**

The division issues business license endorsements to businesses that sell retail tobacco products and the division suspends the endorsements of businesses convicted of sale to minors. The Department of Health and Social Services is dedicating substantial new resources to enforcement of tobacco sales laws. This effort will result in significantly more convictions. The division will respond by assigning investigators to prepare cases for suspension hearings and negotiate settlement agreements. We also anticipate an increased caseload for the hearing officer. In FY02, the division will implement any changes made to the tobacco endorsement statute during the legislative session.

#### **ESCALATING ENFORCEMENT COSTS:**

The cost of investigating and disciplining license-holders accused of violating licensing laws continues to rise, as the process becomes more formal and litigious. Costs include investigators, expert witnesses, attorneys from the Department of Law and hearing officers. Enforcement costs are paid through license fees. One extensive case can double fees for small programs and discourage disciplinary action against licensees.

#### **VOLATILITY OF FEES:**

AS 08.01.065(c) mandates that the department set license fees for each occupation at a level that approximately equals the cost of regulating the occupation. Enforcement costs often vary considerably from year-to-year, depending on the number of complaints. This makes fees very volatile. A 1997 legislative audit directed the division to set fees incorporating professions' surpluses and deficits from prior years. The audit also recommended strictly applying the fee law and requiring each of the division's 130 professions to pay their own costs rather than accounting at the board/program level. The result of a strict legal interpretation would be even greater variation in fees for small professions. Attention must be given to an effort to revise the fee structure to reduce these serious fluctuations in fees.

#### **NEED FOR STRONG AND CONSISTENT LAWS:**

Alaska's licensing laws have gray areas and inconsistencies that contribute to legal costs and difficulty protecting the public. A comprehensive update of the laws would assist enforcement.

### **Major Component Accomplishments for FY2000**

#### **BUSINESS LICENSING:**

- Completed implementation of the new business classification system, improving the quality of information about the number and types of businesses in Alaska.
- Expanded business license information available through the Internet. The list of businesses can now be searched by activity type, location, name, license number, and tobacco endorsement.
- Prepared to offer business licensing through the Internet in the autumn of 2000. Licenses can now be purchased, renewed, updated and reprinted online.

#### **OCCUPATIONAL LICENSING:**

- Created a licensing program for Speech-Language Pathologists.
- Established the first regulations governing manicurist licensing.
- Began implementation of a new law licensing practitioners of Tattooing and Permanent Cosmetic Coloring, and Body Piercing.
- Issued the first licenses to professional counselors, and bachelor and master social workers.
- Began requiring marine pilots to complete a performance evaluation based on simulation of Alaska ports. This is the first simulator-based evaluation system for pilots in the nation. 25% of Alaska pilots have been evaluated to date.
- Increased information about licensed professionals available through the Internet.
- Rated best in the nation by Public Citizen for medical enforcement.



## Statutory and Regulatory Authority

The Division of Occupational Licensing operates under the following authorities:

|                 |  |
|-----------------|--|
| AS 08.01        | CENTRALIZED LICENSING  |
| AS 08.02        | Miscellaneous Provisions   |
| AS 08.03        | Termination, Continuation and Reestablishment of Regulatory Boards       |
| AS 08.04        | Board of Public Accountancy  |
| AS 08.13        | Board of Barbers and Hairdressers  |
| AS 08.20        | Board of Chiropractic Examiners  |
| AS 08.29        | Board of Professional Counselors   |
| AS 08.36        | Board of Dental Examiners  |
| AS 08.48        | State Board of Registration for Architects, Engineers and Land Surveyors |
| AS 08.62        | Board of Marine Pilots   |
| AS 08.63        | Board of Marital and Family Therapy                                      |
| AS 08.64        | State Medical Board  |
| AS 08.65        | Board of Certified Direct Entry Midwives                                 |
| AS 08.68        | Board of Nursing   |
| AS 08.71        | Board of Dispensing Opticians  |
| AS 08.72        | Board of Examiners in Optometry  |
| AS 08.80        | Board of Pharmacy  |
| AS 08.84        | State Physical Therapy and Occupational Therapy Board                    |
| AS 08.86        | Board of Psychologist and Psychological Associate Examiners              |
| AS 08.87        | Board of Certified Real Estate Appraisers                                |
| AS 08.88        | Real Estate Commission   |
| AS 08.95        | Board of Social Work Examiners   |
| AS 08.98        | Board of Veterinary Examiners  |
| AS 08.06        | Regulation of acupuncturists   |
| AS 08.11        | Regulation of audiologists and speech-language pathologists              |
| AS 08.24        | Regulation of collection agencies  |
| AS 08.92        | Regulation of concert promoters  |
| AS 08.18        | Regulation of construction contractors                                   |
| AS 08.38        | Regulation of dietitians and nutritionists                               |
| AS 08.40        | Regulation of electrical and mechanical administrators                   |
| AS 08.54        | Regulation of guide-outfitters   |
| AS 08.42        | Regulation of morticians   |
| AS 08.45        | Regulation of the practice of naturopathy                                |
| AS 08.70        | Regulation of nursing home administrators                                |
| AS 08.02.011    | Regulation of professional geologists                                    |
| AS 08.55        | Regulation of hearing aid dealers  |
| AS 43.70        | Regulation of Business Licenses  |
| AS 05.05; 05.10 | Athletic Commission  |
| AS 46.03.375    | Certification of Storage Tank Workers                                    |
| AS 08.02.025    | Student Loan Default Program   |
| AS 25.27.244    | Child Support Enforcement Program  |
| AS 44.62        | Administrative Procedure Act   |
| AS 44.33.020    | Department of Community & Economic Development                           |

### Federal Laws:

|                            |                             |
|----------------------------|-----------------------------|
| 42 CFR 431, 433<br>and 483 | Nurse Aide Registry         |
| 42 CFR 442 and 45          | Nursing Home Administrators |
| 12 U.S.C. 3338             | Real Estate Appraiser       |

### State Regulations:

|                       |                            |
|-----------------------|----------------------------|
| 12 AAC 02 - 12 AAC 75 | Administrative Regulations |
|-----------------------|----------------------------|

12 AAC 12  
18 AAC 78

Business Licensing Regulations  
Underground Storage Tank Workers

## Key Performance Measures for FY2002

### Measure: The time taken for investigation of licensing law complaints

*(Developed jointly with Legislature in FY2001.)*

#### Current Status:

In FY 2002 the division will work to reduce the amount of time between the opening of cases and the issuance of a formal accusation, a settlement document or the decision to close the case without action.

#### Benchmark:

Unknown

#### Background and Strategies:

The division opens from 450 to 550 investigation cases each year. Most of these cases are initiated by citizen complaints against licensed professionals, however, others are initiated by the division. Cases are closed when the division determines that no formal charge will be made against the license holder, when disciplinary action is taken, or when a hearing determines the licensee did not violate the law. Many factors affect the length of time a specific case remains open including, the priority the division gives to the case based on risk to public health and safety, the overall division case load, the complexity of the investigation, the availability of Department of Law legal services, the hearing officer's schedule, court action and the action of the licensee under investigation. In recent years, insufficient attorney service has been a major contributor to investigative delay. The FY01 budget authorized additional Department of Law services for the division. When vacant attorney positions are filled, the division anticipates a reduction in investigation time. Quick closure of cases cannot be an isolated goal, because investigative thoroughness is also essential to protect consumers.

### Measure: Whether the division increases the number of opportunities to take occupational licensing examinations by at least 25 percent in the fiscal year ending June 30, 2001

*(Developed jointly with Legislature in FY2001.)*

#### Current Status:

The division will increase the frequency of division-controlled written exams from quarterly to monthly for all of FY02, thereby achieving the performance measure.

#### Benchmark:

The frequency of exams in other small-population states is unknown.

#### Background and Strategies:

Many professionals cannot qualify for licenses and begin working without first passing an exam. Exams must be conducted properly and securely to render accurate results. The quality of exam administration by private proctors has been uneven. Alaska's size makes travel to a central exam site expensive for license applicants. The division currently offers the above referenced written exams four times each year in Anchorage, Juneau and Fairbanks. The division will designate a clerk in Anchorage and Fairbanks who will administer exams one day each week and supervise additional private proctors. This will result in the Fairbanks office being closed to the general public on Fridays.

## Status of FY2001 Performance Measures

|  | <i>Achieved</i> | <i>On track</i> | <i>Too soon to tell</i> | <i>Not likely to achieve</i> | <i>Needs modification</i> |
|--|-----------------|-----------------|-------------------------|------------------------------|---------------------------|
| • The time taken for investigation of licensing law complaints |                 | X               |                         |                              |                           |

|  | <i>Achieved</i> | <i>On track</i> | <i>Too soon<br/>to tell</i> | <i>Not likely<br/>to achieve</i> | <i>Needs<br/>modification</i> |
|--|-----------------|-----------------|-----------------------------|----------------------------------|-------------------------------|
| <ul style="list-style-type: none"> <li>Whether the division increases the number of opportunities to take occupational licensing examinations by at least 25 percent in the fiscal year ending June 30, 2001</li> <li>Whether the division converts the business license classification system to a new, more detailed classification system in the fiscal year ending June 30, 2001;</li> </ul> | X               |                 |                             |                                  | X                             |

## Occupational Licensing

### Component Financial Summary

All dollars in thousands

|  | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                |                |                   |                 |
| <b>Component Expenditures:</b>             |                |                   |                 |
| 71000 Personal Services                    | 3,325.6        | 3,556.3           | 3,711.1         |
| 72000 Travel                               | 235.0          | 292.4             | 292.4           |
| 73000 Contractual                          | 1,865.2        | 2,532.0           | 2,708.8         |
| 74000 Supplies                             | 64.7           | 75.2              | 75.2            |
| 75000 Equipment                            | 38.5           | 75.6              | 75.6            |
| 76000 Land/Buildings                       | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                       | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                        | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                  | <b>5,529.0</b> | <b>6,531.5</b>    | <b>6,863.1</b>  |
| <b>Funding Sources:</b>                    |                |                   |                 |
| 1005 General Fund/Program Receipts         | 5,357.8        | 527.4             | 545.0           |
| 1007 Inter-Agency Receipts                 | 124.2          | 200.3             | 141.0           |
| 1040 Real Estate Surety Fund               | 47.0           | 273.5             | 273.8           |
| 1053 Investment Loss Trust Fund            | 0.0            | 75.9              | 0.0             |
| 1108 Statutory Designated Program Receipts | 0.0            | 7.8               | 0.0             |
| 1156 Receipt Supported Services            | 0.0            | 5,446.6           | 5,903.3         |
| <b>Funding Totals</b>                      | <b>5,529.0</b> | <b>6,531.5</b>    | <b>6,863.1</b>  |

### Estimated Revenue Collections

| Description                           | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|---------------------------------------|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>          |                        |                |                   |                      |                 |                 |
| General Fund Program Receipts         | 51060                  | 882.7          | 0.0               | 0.0                  | 0.0             | 0.0             |
| Unrestricted Fund                     | 68515                  | 0.0            | 1,487.7           | 1,487.7              | 1,562.5         | 1,803.1         |
| <b>Unrestricted Total</b>             |                        | <b>882.7</b>   | <b>1,487.7</b>    | <b>1,487.7</b>       | <b>1,562.5</b>  | <b>1,803.1</b>  |
| <b>Restricted Revenues</b>            |                        |                |                   |                      |                 |                 |
| Interagency Receipts                  | 51015                  | 124.2          | 200.3             | 195.8                | 141.0           | 141.0           |
| General Fund Program Receipts         | 51060                  | 5,357.8        | 527.4             | 527.4                | 545.0           | 545.0           |
| Statutory Designated Program Receipts | 51063                  | 0.0            | 7.8               | 7.8                  | 0.0             | 0.0             |
| Receipt Supported Services            | 51073                  | 0.0            | 5,446.6           | 5,446.6              | 5,903.3         | 5,903.3         |
| Real Estate Surety Fund               | 51360                  | 47.0           | 273.5             | 270.6                | 273.8           | 273.8           |
| Investment Loss Trust Fund            | 51393                  | 0.0            | 75.9              | 75.9                 | 0.0             | 0.0             |
| <b>Restricted Total</b>               |                        | <b>5,529.0</b> | <b>6,531.5</b>    | <b>6,524.1</b>       | <b>6,863.1</b>  | <b>6,863.1</b>  |
| <b>Total Estimated Revenues</b>       |                        | <b>6,411.7</b> | <b>8,019.2</b>    | <b>8,011.8</b>       | <b>8,425.6</b>  | <b>8,666.2</b>  |

## Occupational Licensing

### Proposed Changes in Levels of Service for FY2002

- DCED hearing officer funding source change -- Prior to FY00, the DCED hearing examiner conducted hearings for several divisions within the department. The Division of Occupational Licensing received interagency receipts from other divisions for hearing services. The volume of occupational licensing hearing work has required dedication of the hearing examiner exclusively to the Division of Occupational Licensing. A funding source change from interagency receipts to receipt supported services is requested to reflect the hearing examiner's current 100% funding from occupational license fees. The funding source change would be consistent with the statutory requirement that the fees from each occupation cover the cost of regulating the occupation.
- Specific Board Requests -- The State Medical Board requests additional licensing staff to speed processing of physician and physician assistant license applications. Alaska hospitals and doctors have requested quicker processing and more frequent communication during application review. The division believes this goal can best be achieved with an administrative clerk II in Anchorage and a medical licensing examiner in Juneau. The medical and nursing programs would share the clerk.
- The Board of Nursing requests additional staff to speed licensing of nurses and nurse aides. Alaska has over 8,000 nurses and over 2,000 certified nurse aides. These numbers have grown substantially over the past decade and continue to rise, straining the existing staff's ability to respond. There is a great deal of mobility in the nursing profession, and health care facilities need to be able to put new nurses and nurse aides to work immediately. The division believes the addition of an administrative clerk II in Anchorage shared by the medical and nursing programs would improve service to the public.
- The Board of Registration of Architects, Engineers and Land Surveyors requests a licensing examiner to speed licensing, improve administration of examinations, and free the board administrator to handle more complex tasks. The board is responsible for 5,000 licensed design professionals and a single licensing examiner is no longer sufficient to meet board and applicant needs.
- Department of Law Rate Increases -- The FY01 budget bill authorized the division to RSA Law \$614.0 for the services of four attorneys and a part-time paralegal. The Department Law has since updated its billing rate, as required by the federal government. The FY01 rate for attorney work has increased 2.84% from what was charged in FY00. The FY 02 rate will increase another 2.57%. The overall increase from FY 00 to FY 02 will be 5.49%. An increment is requested to allow the division to receive the same level of legal services in the face of rising hourly rates.
- Increments for the Divisions of Insurance, Occupational Licensing, and Banking, Securities, & Corporations are requested to cover rent expenses in FY02. An increment for the DCED State Facilities Rent Component is requested to receive the rent payments, in the form of interagency receipts. General funds, in the amount of FY01 rental rates paid by the 3 divisions, are transferred to the Department of Administration.

As required by AS 08.01.065(c), all Occupational Licensing increments would be funded with license fees through receipt supported services.

### Summary of Component Budget Changes

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>  | <b>603.3</b>         | <b>0.0</b>           | <b>5,928.2</b>     | <b>6,531.5</b>     |
| <b>Adjustments which get you to start of year:</b>                |                      |                      |                    |                    |
| -Update Executive Administration and Support Cost Allocation Plan | 6.2                  | 0.0                  | 71.8               | 78.0               |

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>Adjustments which will continue current level of service:</b>       |                      |                      |                    |                    |
| -Convert Special FY2001 Labor Cost Fund Sources to Rcpt Svcs and GF/PR | -69.4                | 0.0                  | 69.4               | 0.0                |
| -Year 2 Labor Costs - Net Change from Fy 2001                          | 4.9                  | 0.0                  | 31.9               | 36.8               |
| <b>Proposed budget increases:</b>                                      |                      |                      |                    |                    |
| -Specific Board Requests   | 0.0                  | 0.0                  | 118.0              | 118.0              |
| -Dept of Law rate increase   | 0.0                  | 0.0                  | 30.0               | 30.0               |
| -State Facilities Rent   | 0.0                  | 0.0                  | 68.8               | 68.8               |
| <b>FY2002 Governor</b>   | <b>545.0</b>         | <b>0.0</b>           | <b>6,318.1</b>     | <b>6,863.1</b>     |

## Occupational Licensing

### Personal Services Information

| Authorized Positions |                              |                            | Personal Services Costs          |                  |
|----------------------|------------------------------|----------------------------|----------------------------------|------------------|
|                      | <b>FY2001<br/>Authorized</b> | <b>FY2002<br/>Governor</b> |                                  |                  |
| Full-time            | 65                           | 70                         | Annual Salaries                  | 2,856,850        |
| Part-time            | 3                            | 1                          | COLA                             | 42,372           |
| Nonpermanent         | 0                            | 0                          | Premium Pay                      | 0                |
|                      |                              |                            | Annual Benefits                  | 1,034,946        |
|                      |                              |                            | <i>Less 5.67% Vacancy Factor</i> | (223,068)        |
|                      |                              |                            | Lump Sum Premium Pay             | 0                |
| <b>Totals</b>        | <b>68</b>                    | <b>71</b>                  | <b>Total Personal Services</b>   | <b>3,711,100</b> |

### Position Classification Summary

| Job Class Title            | Anchorage | Fairbanks | Juneau    | Others   | Total     |
|----------------------------|-----------|-----------|-----------|----------|-----------|
| Accounting Clerk I         | 0         | 0         | 1         | 0        | 1         |
| Accounting Tech II         | 0         | 0         | 1         | 0        | 1         |
| Administrative Assistant   | 1         | 0         | 0         | 0        | 1         |
| Administrative Clerk I     | 0         | 0         | 2         | 0        | 2         |
| Administrative Clerk II    | 5         | 0         | 3         | 0        | 8         |
| Administrative Clerk III   | 1         | 1         | 4         | 0        | 6         |
| Administrative Coordinator | 0         | 0         | 1         | 0        | 1         |
| Administrative Manager II  | 0         | 0         | 1         | 0        | 1         |
| Analyst/Programmer II      | 0         | 0         | 1         | 0        | 1         |
| Analyst/Programmer IV      | 0         | 0         | 1         | 0        | 1         |
| Division Director          | 0         | 0         | 1         | 0        | 1         |
| Exec Sec Bd Of Nursing     | 1         | 0         | 0         | 0        | 1         |
| Exec Sec State Med Bd      | 1         | 0         | 0         | 0        | 1         |
| Exec Secretary Rec         | 1         | 0         | 0         | 0        | 1         |
| Hearing Examiner           | 1         | 0         | 0         | 0        | 1         |
| Investigator III           | 13        | 0         | 0         | 0        | 13        |
| Investigator IV            | 1         | 0         | 0         | 0        | 1         |
| Legal Secretary I          | 2         | 0         | 0         | 0        | 2         |
| Licensing Examiner         | 0         | 0         | 1         | 0        | 1         |
| Marine Pilot Coord         | 0         | 0         | 1         | 0        | 1         |
| Medical Licensing Examiner | 0         | 0         | 1         | 0        | 1         |
| Nurse III                  | 1         | 0         | 0         | 0        | 1         |
| Occ Lic Exam I             | 1         | 0         | 15        | 0        | 16        |
| Paralegal Asst I           | 0         | 0         | 1         | 0        | 1         |
| Prog Coordinator           | 0         | 0         | 1         | 0        | 1         |
| Publications Spec II       | 1         | 0         | 0         | 0        | 1         |
| Records & Licensing Spvr   | 0         | 0         | 2         | 0        | 2         |
| Regulations Spec II        | 0         | 0         | 1         | 0        | 1         |
| Secretary                  | 0         | 0         | 1         | 0        | 1         |
| <b>Totals</b>              | <b>30</b> | <b>1</b>  | <b>40</b> | <b>0</b> | <b>71</b> |

**Component: Occupation Licensing Language**

**Contact: Catherine Reardon, Director**

**Tel:** (907) 465-2538 **Fax:** (907) 465-2974 **E-mail:** Catherine\_Reardon@dced.state.ak.us

**Component Mission**

See Occupational Licensing Component.

**Component Services Provided**

No services provided.

**Component Goals and Strategies**

No goals and strategies.

**Key Component Issues for FY2001 – 2002**

No key issues.

**Major Component Accomplishments for FY2000**

No major accomplishments.

**Statutory and Regulatory Authority**

No statutes and regulations.



## Occupation Licensing Language

## Component Financial Summary

*All dollars in thousands*

|                                    | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|------------------------------------|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>        |                |                   |                 |
| <b>Component Expenditures:</b>     |                |                   |                 |
| 71000 Personal Services            | 0.0            | 0.0               | 0.0             |
| 72000 Travel                       | 0.0            | 0.0               | 0.0             |
| 73000 Contractual                  | 0.0            | 0.0               | 0.0             |
| 74000 Supplies                     | 0.0            | 0.0               | 0.0             |
| 75000 Equipment                    | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings               | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims               | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous                | 0.0            | 150.0             | 0.0             |
| <b>Expenditure Totals</b>          | <b>0.0</b>     | <b>150.0</b>      | <b>0.0</b>      |
| <b>Funding Sources:</b>            |                |                   |                 |
| 1005 General Fund/Program Receipts | 0.0            | 0.0               | 0.0             |
| 1156 Receipt Supported Services    | 0.0            | 150.0             | 0.0             |
| <b>Funding Totals</b>              | <b>0.0</b>     | <b>150.0</b>      | <b>0.0</b>      |

**Occupation Licensing Language****Proposed Changes in Levels of Service for FY2002**

No service changes.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>150.0</b>       | <b>150.0</b>       |
| <b>Adjustments which will continue<br/>current level of service:</b> |                      |                      |                    |                    |
| -SLA 00Ch 133 Section 7- Back out<br>One Time Item                   | 0.0                  | 0.0                  | -150.0             | -150.0             |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>0.0</b>         | <b>0.0</b>         |

**Regulatory Commission of Alaska Budget Request Unit**

**Contact: G. Nanette Thompson, Chair**

**Tel:** (907) 276-6222 **Fax:** (907) 276-0160 **E-mail:** nanette\_thompson@rca.state.ak.us

**BRU Mission**

See Regulatory Commission of Alaska component.

**BRU Services Provided**

No services provided.

**BRU Goals and Strategies**

No goals and strategies.

**Key BRU Issues for FY2001 – 2002**

No key issues.

**Major BRU Accomplishments for FY2000**

No major accomplishments.

**Regulatory Commission of Alaska**  
**BRU Financial Summary by Component**

*All dollars in thousands*

|                                      | FY2000 Actuals |               |                |                | FY2001 Authorized |               |                |                | FY2002 Governor |               |                |                |
|--------------------------------------|----------------|---------------|----------------|----------------|-------------------|---------------|----------------|----------------|-----------------|---------------|----------------|----------------|
|                                      | General Funds  | Federal Funds | Other Funds    | Total Funds    | General Funds     | Federal Funds | Other Funds    | Total Funds    | General Funds   | Federal Funds | Other Funds    | Total Funds    |
| <b>Formula Expenditures</b><br>None. |                |               |                |                |                   |               |                |                |                 |               |                |                |
| <b>Non-Formula Expenditures</b>      |                |               |                |                |                   |               |                |                |                 |               |                |                |
| Reg Comm of AK                       | 0.0            | 0.0           | 4,307.1        | 4,307.1        | 0.0               | 0.0           | 5,214.8        | 5,214.8        | 0.0             | 0.0           | 5,944.2        | 5,944.2        |
| Regulatory Comm. of AK Language      | 0.0            | 0.0           | 0.0            | 0.0            | 0.0               | 0.0           | 100.0          | 100.0          | 0.0             | 0.0           | 0.0            | 0.0            |
| <b>Totals</b>                        | <b>0.0</b>     | <b>0.0</b>    | <b>4,307.1</b> | <b>4,307.1</b> | <b>0.0</b>        | <b>0.0</b>    | <b>5,314.8</b> | <b>5,314.8</b> | <b>0.0</b>      | <b>0.0</b>    | <b>5,944.2</b> | <b>5,944.2</b> |

## Regulatory Commission of Alaska

## Proposed Changes in Levels of Service for FY2002

See component information.

## Regulatory Commission of Alaska

## Summary of BRU Budget Changes by Component

## From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>5,314.8</b>     | <b>5,314.8</b>     |
| <b>Adjustments which get you to start of year:</b>               |                      |                      |                    |                    |
| -Reg Comm of AK  | 0.0                  | 0.0                  | 31.0               | 31.0               |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Reg Comm of AK  | 0.0                  | 0.0                  | 24.5               | 24.5               |
| -Regulatory Comm. of AK Language                                 | 0.0                  | 0.0                  | -100.0             | -100.0             |
| <b>Proposed budget increases:</b>                                |                      |                      |                    |                    |
| -Reg Comm of AK  | 0.0                  | 0.0                  | 673.9              | 673.9              |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>5,944.2</b>     | <b>5,944.2</b>     |

## **Component: Regulatory Commission of Alaska**

**Contact: G. Nanette Thompson, Chair**

**Tel:** (907) 276-6222 **Fax:** (907) 276-0160 **E-mail:** nanette\_thompson@rca.state.ak.us

### **Component Mission**

The mission of the Regulatory Commission of Alaska (RCA) is to regulate public utilities and pipelines in Alaska.

### **Component Services Provided**

The RCA regulates public utilities and pipeline carriers. The Commission has been assigned regulatory responsibility for gas, electric, telephone, oil and gas pipelines, water and sewer, steam, refuse collection and disposal and cable television.

The Commission issues certificates of public convenience and necessity to qualified service providers. The Commission establishes the rates, terms, and conditions under which economically regulated utilities and pipeline carriers serve the public. The Commission supervises markets that are transitioning to economic deregulation to protect consumer interests. Under the Power Cost Equalization program, the Commission computes the power cost and amount of assistance for eligible utilities.

### **Component Goals and Strategies**

1. Analyze and act upon all utility and pipeline carrier proposals within statutory deadlines.
2. Receive, analyze, and process cases pursuant to the timeliness regulations implemented in December 1999, under AS 42.04.080(b).
3. Issue public notices, provide initial analysis, and render initial Commission determination concerning utility and pipeline tariff filings within 45 days. (Anticipated total cases July 1, 2001 to June 30, 2002: 554 tariff filings.)
4. Within 30 days, issue public notices, provide initial analysis, and render initial Commission determination concerning competitive offerings. (Anticipated total cases July 1, 2001 to June 30, 2002: 163 tariff filings.)
5. Issue 600 substantive orders in disputed cases pending before the Commission.
6. Formulate, issue public notice, evaluate comments received, and revise proposed regulations as needed.
7. Receive, analyze, and process an expected 613 consumer complaints concerning utility service.
8. Participate in national-level organizations regarding policy issues that significantly impact Alaska.
9. Continue to refine our management information system to make agency processes more efficient and accessible to the general public through the Internet (Section 26, HCS CSSB 133(FIN)).
10. Provide analytical support to legislative committees considering utility and pipeline issues.
11. Process Power Cost Equalization filings. (Anticipated filings July 1, 2001 to June 30, 2002, 310 nonregulated and 50 regulated.)

### **Key Component Issues for FY2001 – 2002**

1. Electricity

We will address current issues facing the Alaskan electric industry.

Rural Alaska: We will focus on the high cost of power and difficult operating environment for small rural power companies, and seek, through cooperation with other agencies, to lessen regulatory burdens and provide incentives for improvement of reliability and affordability in our rural communities power supplies. We will seek to improve cooperation between rural power and rural communications systems, to optimize delivery of utility services to the rural rate payer. We will continue our program to timely and efficiently process Power Cost Equalization (PCE) filings that rural utilities file with us for financial review. We will continue to develop a database of utility operational histories. We will consider potential regulatory incentives that could promote cost control and reliability improvement, while maintaining the equalization benefits of the Power Cost Equalization program.

Urban Alaska: We will work to complete rate hearings for major power utilities. We will also respond to electric market structure issues that arise, and provide input as requested by the legislature on matters of electric infrastructure development. We will continue to look at methods to provide incentives for coordination among utilities. We will also promote practices that will assure utilities are providing reliable and low-cost services to all customers.

## 2. Telecommunications

We will monitor and regulate to ensure the availability of affordable, high quality, local and long distance telephone service throughout Alaska. We will continue our oversight of the competitive in-state long distance market and local markets, and will work towards developing competition throughout the state to the extent reasonable, feasible, and consistent with the public interest and the goal of universal service.

We will modify our existing local market structure rules and regulations as necessary and develop interconnection and network arrangements and policies as new areas of the state are opened to local competition. To further accomplish its responsibilities under the Telecommunications Act of 1996, we will also continue to review our rules covering access charge reform, competitive local exchange carriers, market dominance, local exchange carrier provision of long distance service, and pricing standards for interconnection between incumbent and entrant local exchange carriers.

We also plan to continue evaluating our existing policies for the long distance carrier market regarding facility restrictions, facility modernization, wholesale rates, preservation of quality service, competitive neutrality, and interconnection to long distance networks.

As competition develops in Alaska, we will have increased responsibility to maintain universal service. We will review improvements to our Alaska Universal Service support mechanism and will participate in the Federal Communication Commission CC Docket 96-45 proceedings on universal service to promote universal service in Alaska.

## 3. Pipeline

We expect to hold hearings and determine intrastate rates for the Cook Inlet Pipeline, Endicott Pipeline, and Milne Point Pipeline. Hearings may also be held on the amounts collected for dismantlement, removal and restoration of TAPS. These issues are significant and will use considerable amounts of our resources.

We will adopt regulations to implement the directives of HB 290 (changes to the Pipeline Act, AS 42.06.240) to establish rules for intrastate access to newly constructed natural gas pipelines.

## 4. Water and Sewer

We expect a dramatic increase in certification applications, customer complaints, and rate proceedings as water and sewer facilities are built in villages that do not currently have services and as utilities seek to be in compliance with new Federal safe drinking water regulations.

## 5. Natural Gas

New exploration, the construction of new gas distribution systems and new gas transportation technologies will expand the areas where natural gas will be available. As a result, we expect to handle additional applications for certificates of public convenience and necessity and related rate proceedings.

## 6. Refuse

Mergers and acquisitions have consolidated the ownership of many of Alaska's refuse utilities. The rate case filings ordered in connection with recent acquisitions and transfers will be adjudicated during FY02.

## 7. Public Advocacy

We will continue to assign the Public Advocacy Section (PAS) to participate as a party in matters before the Commission. The PAS was created in 1999 by AS 42.04.150 to operate separately from us and represent the public interest. The PAS will participate in utility and pipeline proceedings.

### **Major Component Accomplishments for FY2000**

Issued 566 substantive orders in FY2000, an increase of 11% over FY99.

Processed 544 utility and pipeline tariff filings.

Handled 590 informal customer complaints, a 26% decrease over FY99.

Handled 205 new cases including certification dockets (84) and complaint proceedings (121), a 20% increase over FY99.

Began implementing a management information system.

Processed 306 nonregulated and 49 regulated Power Cost Equalization filings.

### **Statutory and Regulatory Authority**

AS 42.04 Regulatory Commission of Alaska

42.05 Public Utilities

42.06 Pipeline Carrier

42.45 Power Cost Equalization

3 AAC 47 Regulatory Cost Charges for Public Utilities and Pipeline Carriers

48 Practice and Procedure

49 Deregulation

50 Energy Conservation

51 Telecommunications Relay Services

52 Operation of Public Utilities

53 Telecommunications

### **Key Performance Measures for FY2002**

**Measure: Consider the time required to issue public notice, provide an initial analysis, and render the initial commission determination concerning**

**(1) utility and pipeline filings; (2) competitive offering.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

During FY00, to the best of our knowledge, we complied with the timeliness standards of 3 AAC 48.200 through .440 adopted in December 1999.

**Benchmark:**

Not applicable.

**Background and Strategies:**

The Legislature created the RCA and tasked us with developing and adhering to timeliness standards because of public complaints about the predecessor agency's processes. We have adopted standards and are incorporating processes to measure our progress as part of developing and implementing our management information system.



By the end of FY2002 we should have actual data from our management information system to report on this measure.

### Status of FY2001 Performance Measures

|  | <i>Achieved</i> | <i>On track</i> | <i>Too soon<br/>to tell</i> | <i>Not likely<br/>to achieve</i> | <i>Needs<br/>modification</i> |
|--|-----------------|-----------------|-----------------------------|----------------------------------|-------------------------------|
| <ul style="list-style-type: none"><li>Consider the time required to issue public notice, provide an initial analysis, and render the initial commission determination concerning (1) utility and pipeline filings; (2) competitive offering.</li></ul> |                 |                 | X                           |                                  |                               |

## Regulatory Commission of Alaska

## Component Financial Summary

All dollars in thousands

|  | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>                |                |                   |                 |
| <b>Component Expenditures:</b>             |                |                   |                 |
| 71000 Personal Services                    | 2,990.2        | 3,422.4           | 3,810.2         |
| 72000 Travel                               | 60.2           | 35.0              | 55.0            |
| 73000 Contractual                          | 1,159.2        | 1,681.1           | 2,002.7         |
| 74000 Supplies                             | 77.6           | 62.5              | 62.5            |
| 75000 Equipment                            | 19.7           | 13.8              | 13.8            |
| 76000 Land/Buildings                       | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims                       | 0.2            | 0.0               | 0.0             |
| 78000 Miscellaneous                        | 0.0            | 0.0               | 0.0             |
| <b>Expenditure Totals</b>                  | <b>4,307.1</b> | <b>5,214.8</b>    | <b>5,944.2</b>  |
| <b>Funding Sources:</b>                    |                |                   |                 |
| 1007 Inter-Agency Receipts                 | 11.9           | 0.0               | 0.0             |
| 1108 Statutory Designated Program Receipts | 0.0            | 4.7               | 0.0             |
| 1141 RCA Receipts                          | 4,295.2        | 5,210.1           | 5,944.2         |
| <b>Funding Totals</b>                      | <b>4,307.1</b> | <b>5,214.8</b>    | <b>5,944.2</b>  |

## Estimated Revenue Collections

| Description                            | Master Revenue Account | FY2000 Actuals | FY2001 Authorized | FY2001 Cash Estimate | FY2002 Governor | FY2003 Forecast |
|--|------------------------|----------------|-------------------|----------------------|-----------------|-----------------|
| <b>Unrestricted Revenues</b>           |                        |                |                   |                      |                 |                 |
| None.                                  |                        | 0.0            | 0.0               | 0.0                  | 0.0             | 0.0             |
| <b>Unrestricted Total</b>              |                        | <b>0.0</b>     | <b>0.0</b>        | <b>0.0</b>           | <b>0.0</b>      | <b>0.0</b>      |
| <b>Restricted Revenues</b>             |                        |                |                   |                      |                 |                 |
| Interagency Receipts                   | 51015                  | 11.9           | 0.0               | 0.0                  | 0.0             | 0.0             |
| Statutory Designated Program Receipts  | 51063                  | 0.0            | 4.7               | 4.7                  | 0.0             | 0.0             |
| Alaska Public Utilities Comm. Receipts | 51066                  | 4,295.2        | 5,210.1           | 5,210.1              | 5,944.2         | 5,944.2         |
| <b>Restricted Total</b>                |                        | <b>4,307.1</b> | <b>5,214.8</b>    | <b>5,214.8</b>       | <b>5,944.2</b>  | <b>5,944.2</b>  |
| <b>Total Estimated Revenues</b>        |                        | <b>4,307.1</b> | <b>5,214.8</b>    | <b>5,214.8</b>       | <b>5,944.2</b>  | <b>5,944.2</b>  |

## **Regulatory Commission of Alaska**

### **Proposed Changes in Levels of Service for FY2002**

The RCA has successfully completed its first year of business. Many changes were implemented to fulfill the legislature's mandate for a more productive and responsive agency. Filings have also increased and our work continues at a fast pace. Based on our experience, the RCA wishes to request the following three increments to its FY02 budget:

- Lease --The RCA does not now have enough space to accommodate all of the current staff. The current lease expires March 31, 2001. The current lease had a ten-year term and very favorable lease rates. RCA was not able to acquire additional space within the existing building and an RFP for new office space was issued. The new lease will have a 15-year term.
- New Positions -- The RCA continues to maintain a high current caseload in an extremely dynamic utility and telecommunications environment while addressing the large backlog of cases left from the previous Commission. Seven new positions are needed to reduce the backlog and maintain current levels of service in the face of an increasing workload.
- Travel -- The travel budget has not allowed RCA to conduct hearings in locations other than Anchorage. This limits the opportunity for public participation. In order to make the agency and its processes more accessible to the public, the RCA needs to be able to conduct hearings in the affected communities.

An additional clerk position is needed in the Records and Filings Section. From 7/16/99 through 8/31/00, the RCA used DCED floaters (temporary employees) for 2,176 hours. A full-time 37.5-hour work week employee would have worked approximately 2,025 hours during the same period. This section will be heavily affected by the implementation of the new MIS system requiring significant backfile conversions.

Admin. Clerk II, Range 8, Step A/B, GGU, annual salary + benefits, \$23,340.36 + \$11,599.07 = \$34,939.43.

An additional technician position is needed in the Information Systems Section. To successfully implement the agency's new MIS system, five new servers have been installed. If the new servers are not properly maintained, the resulting low level of reliability will affect all facets of agency operation. The new imaging system, a greater reliance on technology, as well as the agency's plan to move to electronic filing places a heavy demand on the information systems staff.

Microcomputer Network Technician I/II flex, Range 14/16, Step A, GGU, annual salary + benefits, \$33,184.56 + \$13,553.14 = \$46,737.70.

An additional telecommunications specialist is needed in the Common Carrier Section. Significant telecommunications issues affecting Alaska are currently being addressed at the national level. The RCA must protect the state's interests at the federal level while maintaining appropriate oversight of the introduction of competition within the state. An equally important goal is to ensure that rural Alaskans in high-cost remote areas have access to affordable essential and advanced services, such as the Internet. This section's caseload has continued to increase since the Telecommunications Act of 1996 and is not expected to decrease.

Communications Common Carrier Specialist, Range 22, Step A, GGU, annual salary + benefits \$57,436.68 + \$18,367.18 = \$75,803.86.

An additional information officer is needed in the Consumer Protection and Information Section. With the advent of competition within the state, the emphasis of this section has shifted from resolving individual customer complaints to providing information to customers so that they can make good choices. This position would function as a field position, educating consumers via on-site presentations and the Web.

Consumer Protection and Information Officer I, Range 14, Step A, GGU, annual salary + benefits, \$33,184.56 + \$13,553.14 = \$46,737.70.

An additional paralegal position is needed in the Commission Support Section. Currently, one paralegal position supports two Commissioners and another has significant supervisory responsibilities within the section. The Commissioners rely heavily on their assigned paralegals to prepare draft orders, review staff's proposed orders, and

monitor deadlines. We need additional staff to support the Commissioners' analysis of the increased number of substantive case filings.

Paralegal Assistant I/II flex, Range 13/16, Step A, GGU, annual salary + benefits, \$31,589.52 + \$13,236.52 = \$44,826.04.

An additional secretary is needed in the Commission Support Section to finalize orders, prepare hearing binders, and provide secretarial support to the Commissioners. Increased order production has resulted in delays that negatively affect legislatively-mandated deadlines. Hearing binders need to be prepared sufficiently in advance to allow thorough Commission review and analysis. With these two priorities and the RCA's current workload, the two existing secretaries do not have sufficient time to provide the necessary secretarial support for five Commissioners.

Secretary, Range 11, Step A/B, GGU, annual salary + benefits \$27,958.56 + \$12,515.77 = \$40,474.33.

An additional position is needed in the Engineering Section to replace the engineer reassigned to the newly formed RCA Public Advocacy Section. The PAS was created by legislation to represent the public interest in the many rate cases and other pressing matters pending before the RCA. With the number of new certification applications, the Engineering Section's workload has not diminished. In order to meet legislatively mandated deadlines, this position must be replaced.

Utility Engineering Analyst III, Range 19, Step A, GGU, annual salary + benefits, \$47,025.60 + \$16,300.59 = \$63,326.19.

Total Requested Increment to Personal Services: \$352,900

The above are GGU positions. Salaries for the first year were computed according to the standard probationary periods including the negotiated 2% general salary increase effective 1/1/02 and the lowest range for flexibly staffed positions. Benefits were computed with annual flat rate benefits of \$6,966 including the negotiated employer health insurance premium of \$575 per month effective 7/1/01, the current employer legal trust obligation of \$4 per month and the current employer life insurance premium of \$1.50 per month. Additionally, benefits were computed with current annual employer percentage based benefits of 19.85% (8.09% PERS, .42% UI, 1.88% terminal leave, 6.13% SBS mandatory, 1.45% Medicare tax, 1.03% workers' compensation and .85 leave cash in).

### 3) Increased travel budget:

The RCA's travel budget has not allowed us to conduct hearings in locations other than Anchorage. This limits the opportunity for public participation. In order to make the agency and its processes more accessible to the public, we need to be able to conduct hearings in the affected communities. The legislature asked us on several occasions last year to testify on utility industry issues, but we were unable to travel to Juneau because of budget restrictions.

Total requested increment to Travel: \$20,000

## Summary of Component Budget Changes From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>5,214.8</b>     | <b>5,214.8</b>     |
| <b>Adjustments which get you to<br/>start of year:</b>               |                      |                      |                    |                    |
| -Update Executive Administration<br>and Support Cost Allocation Plan | 0.0                  | 0.0                  | 31.0               | 31.0               |

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Year 2 Labor Costs - Net Change from FY 2001                    | 0.0                  | 0.0                  | 24.5               | 24.5               |
| <b>Proposed budget increases:</b>                                |                      |                      |                    |                    |
| -Increased building lease/rental costs                           | 0.0                  | 0.0                  | 201.0              | 201.0              |
| -New Positions for Increased Workload                            | 0.0                  | 0.0                  | 352.9              | 352.9              |
| -Additional travel budget for Hearing Expenses                   | 0.0                  | 0.0                  | 20.0               | 20.0               |
| -Elimination of Carry Forward Appropriation in Language Section  | 0.0                  | 0.0                  | 100.0              | 100.0              |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>5,944.2</b>     | <b>5,944.2</b>     |

## Regulatory Commission of Alaska

## Personal Services Information

| Authorized Positions |                      |                    | Personal Services Costs          |                  |
|----------------------|----------------------|--------------------|----------------------------------|------------------|
|                      | FY2001<br>Authorized | FY2002<br>Governor |                                  |                  |
| Full-time            | 56                   | 63                 | Annual Salaries                  | 2,978,025        |
| Part-time            | 0                    | 0                  | COLA                             | 48,191           |
| Nonpermanent         | 0                    | 0                  | Premium Pay                      | 54,139           |
|                      |                      |                    | Annual Benefits                  | 1,016,483        |
|                      |                      |                    | <i>Less 7.00% Vacancy Factor</i> | (286,638)        |
|                      |                      |                    | Lump Sum Premium Pay             | 0                |
| <b>Totals</b>        | <b>56</b>            | <b>63</b>          | <b>Total Personal Services</b>   | <b>3,810,200</b> |

## Position Classification Summary

| Job Class Title           | Anchorage | Fairbanks | Juneau   | Others   | Total     |
|---------------------------|-----------|-----------|----------|----------|-----------|
| Accounting Tech I         | 1         | 0         | 0        | 0        | 1         |
| Administrative Clerk I    | 2         | 0         | 0        | 0        | 2         |
| Administrative Clerk II   | 8         | 0         | 0        | 0        | 8         |
| Administrative Clerk III  | 2         | 0         | 0        | 0        | 2         |
| Administrative Manager II | 1         | 0         | 0        | 0        | 1         |
| Administrative Supervisor | 1         | 0         | 0        | 0        | 1         |
| Analyst/Programmer I      | 1         | 0         | 0        | 0        | 1         |
| Analyst/Programmer IV     | 1         | 0         | 0        | 0        | 1         |
| Chief Utility Engineer    | 1         | 0         | 0        | 0        | 1         |
| Chief, RCA Advocacy       | 1         | 0         | 0        | 0        | 1         |
| Commissioner, RCA         | 5         | 0         | 0        | 0        | 5         |
| Communications Com Car Sp | 4         | 0         | 0        | 0        | 4         |
| Consmr Prot-Info Off I    | 3         | 0         | 0        | 0        | 3         |
| Consmr Prot-Info Off II   | 1         | 0         | 0        | 0        | 1         |
| Economist II              | 1         | 0         | 0        | 0        | 1         |
| Hearing Examiner          | 2         | 0         | 0        | 0        | 2         |
| Micro/Network Tech I      | 1         | 0         | 0        | 0        | 1         |
| Micro/Network Tech II     | 1         | 0         | 0        | 0        | 1         |
| Paralegal Asst I          | 2         | 0         | 0        | 0        | 2         |
| Paralegal Asst II         | 3         | 0         | 0        | 0        | 3         |
| Prog Coordinator          | 1         | 0         | 0        | 0        | 1         |
| Secretary                 | 3         | 0         | 0        | 0        | 3         |
| Special Staff Assistant   | 1         | 0         | 0        | 0        | 1         |
| Utility Eng Analyst II    | 1         | 0         | 0        | 0        | 1         |
| Utility Eng Analyst III   | 2         | 0         | 0        | 0        | 2         |
| Utility Eng Analyst IV    | 2         | 0         | 0        | 0        | 2         |
| Utility Fin Analyst I     | 1         | 0         | 0        | 0        | 1         |
| Utility Fin Analyst II    | 1         | 0         | 0        | 0        | 1         |
| Utility Fin Analyst III   | 4         | 0         | 0        | 0        | 4         |
| Utility Fin Analyst IV    | 1         | 0         | 0        | 0        | 1         |
| Utility Tariff Anlyst I   | 1         | 0         | 0        | 0        | 1         |
| Utility Tariff Anlyst II  | 2         | 0         | 0        | 0        | 2         |
| Utility Tariff Anlyst III | 1         | 0         | 0        | 0        | 1         |
| <b>Totals</b>             | <b>63</b> | <b>0</b>  | <b>0</b> | <b>0</b> | <b>63</b> |

**Component: Regulatory Commission of Alaska Language**

**Contact: G. Nanette Thompson, Chair**

**Tel:** (907) 276-6222 **Fax:** (907) 276-0160 **E-mail:** nanette\_thompson@rca.state.ak.us

**Component Mission**

See Regulatory Commission of Alaska component.

**Component Services Provided**

No services provided.

**Component Goals and Strategies**

No goals and strategies.

**Key Component Issues for FY2001 – 2002**

No key issues.

**Major Component Accomplishments for FY2000**

No major accomplishments.

**Statutory and Regulatory Authority**

No statutes and regulations.

## Regulatory Commission of Alaska Language

## Component Financial Summary

*All dollars in thousands*

|                                | FY2000 Actuals | FY2001 Authorized | FY2002 Governor |
|--------------------------------|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>    |                |                   |                 |
| <b>Component Expenditures:</b> |                |                   |                 |
| 71000 Personal Services        | 0.0            | 0.0               | 0.0             |
| 72000 Travel                   | 0.0            | 0.0               | 0.0             |
| 73000 Contractual              | 0.0            | 0.0               | 0.0             |
| 74000 Supplies                 | 0.0            | 0.0               | 0.0             |
| 75000 Equipment                | 0.0            | 0.0               | 0.0             |
| 76000 Land/Buildings           | 0.0            | 0.0               | 0.0             |
| 77000 Grants, Claims           | 0.0            | 0.0               | 0.0             |
| 78000 Miscellaneous            | 0.0            | 100.0             | 0.0             |
| <b>Expenditure Totals</b>      | <b>0.0</b>     | <b>100.0</b>      | <b>0.0</b>      |
| <b>Funding Sources:</b>        |                |                   |                 |
| 1141 RCA Receipts              | 0.0            | 100.0             | 0.0             |
| <b>Funding Totals</b>          | <b>0.0</b>     | <b>100.0</b>      | <b>0.0</b>      |



**Regulatory Commission of Alaska Language**  
**Proposed Changes in Levels of Service for FY2002**

No service changes.

**Summary of Component Budget Changes**  
**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>100.0</b>       | <b>100.0</b>       |
| <b>Adjustments which will continue<br/>current level of service:</b> |                      |                      |                    |                    |
| -Elimination of Carry Forward<br>Appropriation in Language Section   | 0.0                  | 0.0                  | -100.0             | -100.0             |
| <b>FY2002 Governor</b>   | <b>0.0</b>           | <b>0.0</b>           | <b>0.0</b>         | <b>0.0</b>         |

## **BRU/Component: DCED State Facilities Rent**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

**Contact: Tom Lawson, Director**

**Tel:** (907) 465-2505 **Fax:** (907) 465-2563 **E-mail:** Tom\_Lawson@dced.state.ak.us

### **Component Mission**

To fund necessary maintenance and help prevent future deferred maintenance problems in the eight buildings in the new state facilities rent pool.

### **Component Services Provided**

Implement the State Facilities Rent Structure.

### **Component Goals and Strategies**

To fund necessary maintenance and help prevent future deferred maintenance problems in the eight buildings in the new state facilities rent pool.

### **Key Component Issues for FY2001 – 2002**

During years of budget constraints, state buildings have not been adequately maintained, resulting in a serious and expensive deferred maintenance backlog. By implementing a rent structure, the state will be able to recover an estimated \$1.5 million (statewide) in federal and other non-general funds for space occupied in state buildings. General funds now spent on building maintenance and operations by the Department of Transportation and Public Facilities (DOT/PF) for seven state buildings and by the Department of Administration (DOA) for the Atwood Building in Anchorage are being transferred from DOT/PF and DOA to the agencies occupying the buildings in the facilities rent pool. The agencies will pay rent, using these transferred general funds to pay for space occupied by general fund programs and collecting rent from non-general fund sources as appropriate.

### **Major Component Accomplishments for FY2000**

Not applicable.

### **Statutory and Regulatory Authority**

Not applicable

**DCED State Facilities Rent**  
**Component Financial Summary**

*All dollars in thousands*

|                                | <b>FY2000 Actuals</b> | <b>FY2001 Authorized</b> | <b>FY2002 Governor</b> |
|--------------------------------|-----------------------|--------------------------|------------------------|
| <b>Non-Formula Program:</b>    |                       |                          |                        |
| <b>Component Expenditures:</b> |                       |                          |                        |
| 71000 Personal Services        | 0.0                   | 0.0                      | 0.0                    |
| 72000 Travel                   | 0.0                   | 0.0                      | 0.0                    |
| 73000 Contractual              | 0.0                   | 496.3                    | 537.9                  |
| 74000 Supplies                 | 0.0                   | 0.0                      | 0.0                    |
| 75000 Equipment                | 0.0                   | 0.0                      | 0.0                    |
| 76000 Land/Buildings           | 0.0                   | 0.0                      | 0.0                    |
| 77000 Grants, Claims           | 0.0                   | 0.0                      | 0.0                    |
| 78000 Miscellaneous            | 0.0                   | 0.0                      | 0.0                    |
| <b>Expenditure Totals</b>      | <b>0.0</b>            | <b>496.3</b>             | <b>537.9</b>           |
| <b>Funding Sources:</b>        |                       |                          |                        |
| 1004 General Fund Receipts     | 0.0                   | 496.3                    | 359.9                  |
| 1007 Inter-Agency Receipts     | 0.0                   | 0.0                      | 178.0                  |
| <b>Funding Totals</b>          | <b>0.0</b>            | <b>496.3</b>             | <b>537.9</b>           |

**Estimated Revenue Collections**

| <b>Description</b>                  | <b>Master Revenue Account</b> | <b>FY2000 Actuals</b> | <b>FY2001 Authorized</b> | <b>FY2001 Cash Estimate</b> | <b>FY2002 Governor</b> | <b>FY2003 Forecast</b> |
|-------------------------------------|-------------------------------|-----------------------|--------------------------|-----------------------------|------------------------|------------------------|
| <b><u>Unrestricted Revenues</u></b> |                               |                       |                          |                             |                        |                        |
| None.                               |                               | 0.0                   | 0.0                      | 0.0                         | 0.0                    | 0.0                    |
| <b>Unrestricted Total</b>           |                               | <b>0.0</b>            | <b>0.0</b>               | <b>0.0</b>                  | <b>0.0</b>             | <b>0.0</b>             |
| <b><u>Restricted Revenues</u></b>   |                               |                       |                          |                             |                        |                        |
| Interagency Receipts                | 51015                         | 0.0                   | 0.0                      | 0.0                         | 178.0                  | 178.0                  |
| <b>Restricted Total</b>             |                               | <b>0.0</b>            | <b>0.0</b>               | <b>0.0</b>                  | <b>178.0</b>           | <b>178.0</b>           |
| <b>Total Estimated Revenues</b>     |                               | <b>0.0</b>            | <b>0.0</b>               | <b>0.0</b>                  | <b>178.0</b>           | <b>178.0</b>           |

**DCED State Facilities Rent****Proposed Changes in Levels of Service for FY2002**

Increments for the Divisions of Insurance, Occupational Licensing, and Banking, Securities, & Corporations are requested to cover rent expenses in FY02. An increment for the DCED State Facilities Rent Component is requested to receive the rent payments, in the form of interagency receipts. General funds, in the amount of FY01 rental rates paid by the 3 divisions, are transferred to the Department of Administration.

**Summary of Component Budget Changes****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

|  | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2001 Authorized</b>   | <b>496.3</b>         | <b>0.0</b>           | <b>0.0</b>         | <b>496.3</b>       |
| <b>Adjustments which will continue current level of service:</b>     |                      |                      |                    |                    |
| -GF from DOA for additional Atwood Building Space                    | 14.8                 | 0.0                  | 0.0                | 14.8               |
| -State Facilities Transfer to DOA                                    | -151.2               | 0.0                  | 0.0                | -151.2             |
| <b>Proposed budget increases:</b>                                    |                      |                      |                    |                    |
| - Banking, Securities & Corporations rent                            | 0.0                  | 0.0                  | 24.7               | 24.7               |
| - Insurance rent   | 0.0                  | 0.0                  | 72.1               | 72.1               |
| - Occupational Licensing rent  | 0.0                  | 0.0                  | 68.8               | 68.8               |
| -Increase in Rent from Commissioner's Office, Admin Services and CBD | 0.0                  | 0.0                  | 12.4               | 12.4               |
| <b>FY2002 Governor</b>   | <b>359.9</b>         | <b>0.0</b>           | <b>178.0</b>       | <b>537.9</b>       |